

**VILLAGE OF PARMA, INC.**  
**JACKSON COUNTY, MICHIGAN**

AUDITED FINANCIAL STATEMENTS  
WITH SUPPLEMENTAL INFORMATION  
FEBRUARY 29, 2008

**VILLAGE OF PARMA, INC.**  
**FINANCIAL STATEMENTS**

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**FINANCIAL STATEMENTS**

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# MARKOWSKI & COMPANY

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### RETIRED PARTNER:

K. LAVERNE MARKOWSKI, CPA (1961-2006)

## INDEPENDENT AUDITOR'S REPORT

Village Council  
Village of Parma, Inc.  
Jackson County, Michigan

We have audited the accompanying financial statements of the governmental activities, business-type activities, major funds, and aggregate remaining fund information, which collectively comprise the basic financial statements, of the **Village of Parma, Inc.**, as of and for the year ended February 29, 2008, as listed in the table of contents. These financial statements are the responsibility of the Village's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the Village of Parma, Inc. at February 29, 2008, and the respective changes in financial position and cash flows, where applicable, of those activities and funds and the budgetary comparison for the general fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

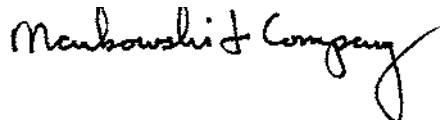
The Village has elected not to present a Management's Discussion and Analysis as required supplementary information. The Governmental Accounting Standards Board has determined that such information is necessary to supplement, although not required to be part of, the basic financial statements.

Village Council  
Village of Parma, Inc.  
Jackson County, Michigan

The budgetary comparison information presented on pages 32-34 is not a required part of the basic financial statements, but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Village of Parma, Inc.'s basic financial statements. The combining and individual fund statements and schedules described in the accompanying table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Yours truly,

A handwritten signature in black ink that reads "Markowski & Company". The signature is written in a cursive, flowing style.

**MARKOWSKI & COMPANY CPAs**  
July 25, 2008

**VILLAGE OF PARMA, INC.**

BASIC FINANCIAL STATEMENTS

**VILLAGE OF PARMA, INC.**

GOVERNMENT-WIDE FINANCIAL STATEMENTS

**VILLAGE OF PARMA, INC.**  
**STATEMENT OF NET ASSETS**  
**FEBRUARY 29, 2008**

	Governmental Activities	Business-Type Activities	Total	Component Unit
<b>ASSETS:</b>				
<b>Current Assets:</b>				
Cash and cash equivalents	\$ 154,388	\$ 100,965	\$ 255,353	\$ 120,121
Investments	40,242	338,639	378,881	337,073
Receivables	6,190	59,693	65,883	-
Assessments receivable - Current	-	27,200	27,200	-
Due from other governments	54,407	-	54,407	-
Prepaid expenses	4,371	-	4,371	-
Internal balances	(147,132)	147,132	-	-
Total current assets	112,466	673,629	786,095	457,194
<b>Noncurrent Assets</b>				
Capital assets, net	680,350	4,114,542	4,794,892	285,501
Assessments receivable - Long term	-	386,431	386,431	-
Advanced expenses	-	303,918	303,918	-
Total noncurrent assets	680,350	4,804,891	5,485,241	285,501
Total assets	792,816	5,478,520	6,271,336	742,695
<b>LIABILITIES:</b>				
<b>Current Liabilities:</b>				
Accounts payable	3,395	79,456	82,851	-
Accrued payroll	-	-	-	-
Accrued interest payable	779	-	779	-
Deferred revenue	2,279	62,903	65,182	-
Capital leases and contracts - Current	3,782	125,000	128,782	-
Total current liabilities	10,235	267,359	277,594	-
<b>Noncurrent Liabilities:</b>				
Capital leases and contracts - Long term	21,682	2,305,000	2,326,682	-
Total liabilities	31,917	2,572,359	2,604,276	-
<b>NET ASSETS:</b>				
Invested in capital assets - net of related debt	680,350	1,684,542	2,364,892	285,501
Restricted for debt service	-	554,662	554,662	-
Unrestricted	80,549	666,957	747,506	457,194
Total net assets	\$ 760,899	\$ 2,906,161	\$ 3,667,060	\$ 742,695

The accompanying notes are an integral part of the financial statements.



**VILLAGE OF PARMA, INC.**  
**STATEMENT OF ACTIVITIES**  
**THE YEAR ENDED FEBRUARY 29, 2008**

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
<b>Primary Government:</b>				
Governmental activities:				
General government	\$ 79,422	\$ 4,446	\$ -	\$ -
Public safety	64,788	-	2,690	-
Community planning	1,140	-	-	-
Public works	109,731	397	62,888	-
Cultural and recreation	12,991	-	4,199	-
Other	1,479	-	-	-
Total governmental activities	269,551	4,843	69,777	-
Business-type activities:				
Waste Water	123,130	82,619	-	-
Water	261,900	66,611	-	50,000
Garbage	55,432	54,477	-	-
Total business-type activities	440,462	203,707	-	50,000
Total primary government	\$ 710,013	\$ 208,550	\$ 69,777	\$ 50,000
<b>Component Units:</b>				
Local Development Finance Authority	\$ 146,025	\$ -	\$ -	\$ -

General revenues  
    Property taxes  
    LDFA surplus tax distribution  
    Franchise fees  
    State-shared revenues  
    Interest and rents  
    Other income  
    Gain on sale of assets  
Total general revenues

Change in net assets  
Net assets - Beginning (restated)  
Net assets - Ending

The accompanying notes are an integral part of the financial statements.

Net (Expenses) Revenue  
and Changes in Net Assets

Governmental Activities	Business-Type Activities	Total	Component Units
\$ (74,976)	\$ -	\$ (74,976)	\$ -
(62,098)	-	(62,098)	-
(1,140)	-	(1,140)	-
(46,446)	-	(46,446)	-
(8,792)	-	(8,792)	-
(1,479)	-	(1,479)	-
(194,931)	-	(194,931)	-
-	(40,511)	(40,511)	-
-	(145,289)	(145,289)	-
-	(955)	(955)	-
-	(186,755)	(186,755)	-
(194,931)	(186,755)	(381,686)	-
			(146,025)
53,690	22,330	76,020	146,892
79,843	-	79,843	-
1,711	-	1,711	-
75,697	-	75,697	-
3,273	98,262	101,535	27,558
1,102	-	1,102	-
-	-	-	-
215,316	120,592	335,908	174,450
20,385	(66,163)	(45,778)	28,425
740,514	2,972,324	3,712,838	714,270
\$ 760,899	\$ 2,906,161	\$ 3,667,060	\$ 742,695

**VILLAGE OF PARMA, INC.**

FUND FINANCIAL STATEMENTS

**VILLAGE OF PARMA, INC.**  
**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
FEBRUARY 29, 2008

	General Fund	Major Street Fund	Local Street Fund	Total Governmental Funds
<b>ASSETS</b>				
Cash and cash equivalents	\$ 101,840	\$ 46,244	\$ 4,164	\$ 152,248
Investments	40,242	-	-	40,242
Receivables	4,627	-	-	4,627
Due from other funds	10,527	263	274	11,064
Due from other governments	43,607	7,921	2,879	54,407
Prepaid expenses	-	-	-	-
Total assets and other debits	\$ 200,843	\$ 54,428	\$ 7,317	\$ 262,588
<b>LIABILITIES AND FUND BALANCES</b>				
<b>LIABILITIES</b>				
Accounts payable	\$ 2,661	\$ 474	\$ 237	\$ 3,372
Accrued payroll	-	-	-	-
Due to other funds	147,622	-	1,507	149,129
Deferred revenue	2,279	-	-	2,279
Total liabilities	152,562	474	1,744	154,780
<b>FUND BALANCES</b>				
Designated	-	-	-	-
Unreserved and undesignated	48,281	53,954	5,573	107,808
Total fund balances	48,281	53,954	5,573	107,808
Total liabilities, fund equity and other credits	\$ 200,843	\$ 54,428	\$ 7,317	\$ 262,588

The accompanying notes are an integral part of the financial statements.

**VILLAGE OF PARMA, INC.**  
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET  
TO THE STATEMENT OF NET ASSETS  
FEBRUARY 29, 2008

Total fund balance - total governmental funds	\$ 107,808
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Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not current financial resources and therefore are not reported in the governmental funds balance sheet. This includes capital assets of the Internal Service Fund.

Capital assets	1,361,334
Accumulated depreciation	(680,984)

The Internal Service Fund is used by management to charge the cost of equipment to individual funds. The assets and liabilities of the Internal Service Fund are included in governmental activities in the statement of net assets.	(5,387)
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The Village's insurance policies currently have a term of July 1, 2007 to July 1, 2008. For the statement of net assets, the unexpired premiums are reported as a prepaid expense.	4,371
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Long term liabilities are not due and payable in the current period and, therefore, they are not reported in the governmental funds balance sheet.	(25,464)
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Interest on the long term liabilities which is payable as of the current fiscal year end, but not due until the following fiscal year, is accrued as a liability in the statement of net assets.	<u>(779)</u>
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Net assets of governmental activities	<u><u>\$ 760,899</u></u>
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The accompanying notes are an integral part of the financial statements.

**VILLAGE OF PARMA, INC.**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
THE YEAR ENDED FEBRUARY 29, 2008

	General Fund	Major Street Fund	Local Street Fund	Total Governmental Funds
<b>REVENUES:</b>				
Taxes and penalties	\$ 53,690	\$ -	\$ -	\$ 53,690
Licenses and permits	3,721	-	-	3,721
Intergovernmental	160,419	44,091	18,797	223,307
Charges for service	4,843	-	-	4,843
Interest and rent	2,971	277	25	3,273
Other revenue	1,102	-	-	1,102
Total revenues	226,746	44,368	18,822	289,936
<b>EXPENDITURES:</b>				
<b>Current:</b>				
General government	75,495	-	-	75,495
Public safety	64,474	-	-	64,474
Community planning	1,140	-	-	1,140
Public works	18,964	42,703	20,568	82,235
Cultural and recreation	10,493	-	-	10,493
Other	252	-	-	252
<b>Capital outlay</b>	-	-	-	-
<b>Debt service</b>	4,953	-	-	4,953
Total expenditures	175,771	42,703	20,568	239,042
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	50,975	1,665	(1,746)	50,894
<b>OTHER FINANCING SOURCES (USES)</b>				
Operating transfers in	-	-	-	-
Operating transfers (out)	(10,000)	-	-	(10,000)
Total other financing sources (uses)	(10,000)	-	-	(10,000)
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES	40,975	1,665	(1,746)	40,894
FUND BALANCE - Beginning	7,306	52,289	7,319	66,914
FUND BALANCE - Ending	\$ 48,281	\$ 53,954	\$ 5,573	\$ 107,808

The accompanying notes are an integral part of the financial statements.

**VILLAGE OF PARMA, INC.**

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES  
THE YEAR ENDED FEBRUARY 29, 2008**

Net change in fund balances - total governmental funds	\$ 40,894
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Amounts reported for governmental activities in the statement of activities are different because:

Government funds report capital outlay as expenditures. However, in the government-wide statement of activities and changes in net assets, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount of capital assets purchased in the current period.	20,467
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Depreciation expense on capital assets is reported in the government-wide statement of activities and changes in net assets, but they do not require the use of current financial resources. Therefore, depreciation expense is not reported as an expenditure in governmental funds. This includes the depreciation expense on assets of the Internal Service Fund.	(57,540)
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The Internal Service Fund is used by management to charge the cost of equipment to individual funds. The net revenue of the Internal Service Fund is included in governmental activities.	13,015
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The effect of reporting insurance expenses based on the full accrual method for the statement of activities results in a lower expense than the actual premiums paid this year.	(177)
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Principal payments on long term debt are applied to the liability balance under the full accrual accounting method. As a result, this year's principal payment is removed from the Village's expenditures.	3,616
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Interest expense differs from the actual interest paid when using the full accrual method of accounting. This year, the difference results in a lower expense.	<u>110</u>
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Change in net assets of governmental activities	<u><u>\$ 20,385</u></u>
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The accompanying notes are an integral part of the financial statements.

**VILLAGE OF PARMA, INC.**  
**STATEMENT OF NET ASSETS**  
**PROPRIETARY FUNDS**  
FEBRUARY 29, 2008

	ENTERPRISE FUNDS				INTERNAL SERVICE FUND
	Waste Water	Water	Garbage	Total	
<b>ASSETS</b>					
<b>CURRENT ASSETS:</b>					
Cash and cash equivalents	\$ 7,297	\$ 83,612	\$ 10,056	\$ 100,965	\$ 2,140
Investments	338,639	-	-	338,639	-
Accounts receivable	28,090	10,108	20,840	59,038	1,563
Accrued interest receivable	655	-	-	655	-
Assessments receivable - Current	-	27,200	-	27,200	-
Due from other funds	50,563	96,626	-	147,189	1,547
Total current assets	425,244	217,546	30,896	673,686	5,250
<b>NONCURRENT ASSETS:</b>					
Capital assets, net	202,371	3,912,171	-	4,114,542	8,028
Assessments receivable	-	386,431	-	386,431	-
Advanced expenses	303,918	-	-	303,918	-
Total noncurrent assets	506,289	4,298,602	-	4,804,891	8,028
Total assets	931,533	4,516,148	30,896	5,478,577	13,278
<b>LIABILITIES</b>					
<b>CURRENT LIABILITIES:</b>					
Accounts payable	42,911	36,545	-	79,456	23
Accrued payroll	-	-	-	-	-
Due to other funds	-	57	-	57	10,614
Deferred revenue	19,691	30,762	12,450	62,903	-
Capital leases payable - Current	-	125,000	-	125,000	-
Total current liabilities	62,602	192,364	12,450	267,416	10,637
<b>NONCURRENT LIABILITIES:</b>					
Capital leases payable	-	2,305,000	-	2,305,000	-
Total liabilities	62,602	2,497,364	12,450	2,572,416	10,637
<b>NET ASSETS:</b>					
Invested in capital assets - net of related debt	202,371	1,482,171	-	1,684,542	8,028
Restricted for debt service	-	554,662	-	554,662	-
Unrestricted	666,560	(18,049)	18,446	666,957	(5,387)
Total net assets	\$ 868,931	\$ 2,018,784	\$ 18,446	\$ 2,906,161	\$ 2,641

The accompanying notes are an integral part of the financial statements.



**VILLAGE OF PARMA, INC.**  
**STATEMENT OF CHANGES IN NET ASSETS**  
**PROPRIETARY FUNDS**  
THE YEAR ENDED FEBRUARY 29, 2008

	ENTERPRISE FUNDS				INTERNAL SERVICE FUND
	Waste Water	Water	Garbage	Total	
<b>OPERATING REVENUES:</b>					
Charges for services	\$ 77,722	\$ 61,966	\$ 52,414	\$ 192,102	\$ 22,888
Interest and penalties	4,897	4,645	2,063	11,605	-
Total operating revenues	82,619	66,611	54,477	203,707	22,888
<b>OPERATING EXPENSES:</b>					
<b>Administrative:</b>					
Clerical salaries	7,496	-	6,939	14,435	-
Payroll taxes	573	-	531	1,104	-
Office supplies	82	436	164	682	-
Other	-	20	-	20	-
Professional services	1,846	2,901	1,103	5,850	-
Total administrative expenses	9,997	3,357	8,737	22,091	-
<b>Operations and maintenance:</b>					
Salaries	359	2,284	-	2,643	6,949
Payroll taxes	28	175	-	203	532
Contract services	32,091	20,088	46,695	98,874	-
Professional services	-	1,108	-	1,108	1,211
Utilities	5,866	17,890	-	23,756	2,889
Repairs and maintenance	48,565	6,805	-	55,370	4,355
Operating supplies	-	10,082	-	10,082	3,659
Equipment usage/Rent	517	1,478	-	1,995	300
Miscellaneous	-	22	-	22	-
Depreciation	25,707	114,286	-	139,993	2,844
Total operations and maintenance	113,133	174,218	46,695	334,046	22,739
Total operating expenses	123,130	177,575	55,432	356,137	22,739
OPERATING INCOME (LOSS)	(40,511)	(110,964)	(955)	(152,430)	149
<b>NON-OPERATING REVENUES (EXPENSES):</b>					
Taxes - Hydrant	-	22,330	-	22,330	-
Connection fees	-	50,000	-	50,000	-
Interest income	21,930	76,250	82	98,262	22
Connection expenses	-	-	-	-	-
Interest expense	-	(84,325)	-	(84,325)	-
Total non-operating revenues (expenses)	21,930	64,255	82	86,267	22
INCOME (LOSS) BEFORE CONTRIBUTIONS	(18,581)	(46,709)	(873)	(66,163)	171
CONTRIBUTION FROM GENERAL FUND	-	-	-	-	10,000
TOTAL NET ASSETS - Beginning of year	887,512	2,065,493	19,319	2,972,324	(7,530)
TOTAL NET ASSETS - End of year	\$ 868,931	\$2,018,784	\$ 18,446	\$2,906,161	\$ 2,641

The accompanying notes are an integral part of the financial statements.

**VILLAGE OF PARMA, INC.**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUNDS**  
THE YEAR ENDED FEBRUARY 29, 2008

	ENTERPRISE FUNDS				INTERNAL SERVICE FUND
	Waste Water	Water	Garbage	Total	
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>					
Receipts from customers	\$ 80,329	\$ 69,779	\$ 54,681	\$ 204,789	\$ (7,481)
Payments to suppliers	(68,990)	(41,450)	(51,369)	(161,809)	(12,804)
Payments to employees	(8,456)	(2,459)	(7,470)	(18,385)	-
Receipts for interfund services provided	-	-	-	-	19,427
Payment for interfund services provided	(517)	(1,421)	-	(1,938)	-
Net cash provided (used) by operating activities	2,366	24,449	(4,158)	22,657	(858)
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>					
Collection of connection fees/assessments	-	159,940	-	159,940	-
Collection of taxes	-	22,330	-	22,330	-
Purchase of capital assets	(214,951)	-	-	(214,951)	-
Reimbursement of capital expenditures	-	-	-	-	-
Connection expenses paid	-	-	-	-	-
Principal and interest paid on capital debt	-	(184,325)	-	(184,325)	-
Net cash provided (used) by capital and related financing activities	(214,951)	(2,055)	-	(217,006)	-
<b>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:</b>					
Interfund borrowings	-	-	-	-	-
Repayment of interfund borrowings	16,000	1,123	-	17,123	-
Net cash provided by non-capital financing activities	16,000	1,123	-	17,123	-
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>					
Interest income	998	2,345	82	3,425	22
Investments purchased	(5)	-	-	(5)	-
Investments matured	165,551	-	-	165,551	-
Net cash provided by investing activities	166,544	2,345	82	168,971	22
Net increase (decrease) in cash and cash equivalents	(30,041)	25,862	(4,076)	(8,255)	(836)
Balances - beginning of year	37,338	57,750	14,132	109,220	2,976
Balances - end of year	\$ 7,297	\$ 83,612	\$ 10,056	\$ 100,965	\$ 2,140
<b>Reconciliation of operating income (loss) to net cash provided (used) by operating activities:</b>					
Operating income (loss)	\$ (40,511)	\$ (110,964)	\$ (955)	\$ (152,430)	149
Adjustments to reconcile operating income to net cash provided (used) by operating activities					
Depreciation expense	25,707	114,286	-	139,993	2,844
Change in assets and liabilities					
Receivables - net	(4,359)	2,960	835	(564)	(2,727)
Accounts and other payables	19,460	17,902	(3,407)	33,955	(390)
Deferred revenue	2,069	265	(631)	1,703	-
Net cash provided (used) by operating activities	\$ 2,366	\$ 24,449	\$ (4,158)	\$ 22,657	\$ (124)

The accompanying notes are an integral part of the financial statements.

**VILLAGE OF PARMA, INC.**  
**STATEMENT OF NET ASSETS - FIDUCIARY FUNDS**  
**FEBRUARY 29, 2008**

<u>ASSETS</u>	<u>AGENCY FUNDS</u>
Cash and cash equivalents	\$ 17,984
Investments	15,000
Due from other governments	1,136
Due from other funds	-
	<hr/>
Total assets	\$ 34,120
	<hr/> <hr/>
 <u>LIABILITIES</u>	
Accrued payroll taxes and withholdings	\$ 3,151
Due to other funds	-
Due to other governments	10,405
Due to other groups	20,564
	<hr/>
Total liabilities	\$ 34,120
	<hr/> <hr/>

The accompanying notes are an integral part of the financial statements.

**VILLAGE OF PARMA, INC.**

NOTES TO THE FINANCIAL STATEMENTS

**VILLAGE OF PARMA, INC.**  
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**VILLAGE OF PARMA, INC.**  
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**VILLAGE OF PARMA, INC.**  
NOTES TO THE FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The accounting methods and procedures adopted by the Village of Parma, Inc (the Village) conform to accounting principles generally accepted (GAAP) in the United States of America as applied to governmental entities. The following is a summary of the significant accounting policies used by the Village.

A. REPORTING ENTITY:

The Village of Parma is incorporated under the provisions of Act 3 of 1895, as amended (General Law Village). The Village operates under an elected Council (five voting members, plus an elected clerk and treasurer) and provides the following services to its more than 900 residents: public safety (police, fire, and inspections), highways and streets, sanitation, cultural and recreation, planning and zoning, and general administrative services.

The accompanying financial statements of the Village of Parma, Inc. include its primary government and its component units, entities for which the primary government is considered to be financially accountable. The discretely presented component unit is reported in a separate column in the government-wide financial statements to emphasize that it is legally separate from the primary government.

**Discretely Presented Component Unit** - Based on the criteria established by the Governmental Accounting Standards Board (GASB) in its Statement No. 14, the Local Development Finance Authority of the Village of Parma, Inc. (LDFA) has been included in the reporting entity as a discretely presented component unit. The LDFA was created by the Village in a resolution dated December 12, 1988 (most recently amended January 4, 2001) under the authority of Michigan Public Act 281.

The LDFA is governed by a separate eleven member board, consisting of four members appointed by the Village, three appointed by Sandstone Township, two appointed by Western School District and one each appointed by Jackson County and Jackson Community College.

The LDFA's primary functions are site acquisition and development (including the extension of roads and utilities) for a certified industrial park. The LDFA also services the construction related bonded indebtedness.

A copy of the LDFA's audited financial statements may be obtained at the Village of Parma's offices at 117 W. Main St., Parma, MI 49269.

**Joint Ventures** – The Village participates in joint ventures with Sandstone Charter Township and Parma Township for fire protection (Parma Sandstone Fire Department) and police services (Parma-Sandstone Inter-Municipal Police Department). The financial statements of these joint ventures are not included in these statements. The Village's equity in the joint ventures is reported as an investment in joint ventures in the government-wide financial statements.

A copy of the audited financial statements of these joint ventures may be obtained at the Village of Parma's offices at 117 W. Main St., Parma, MI. 49269.

**VILLAGE OF PARMA, INC.**  
NOTES TO THE FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS:

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the Village. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities* which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenue.

Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though the latter are excluded from the government wide financial statements. Major individual governmental funds and major individual enterprise funds are reported in separate columns in the fund financial statements.

C. MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND FINANCIAL STATEMENT PRESENTATION:

The government-wide and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund financial statements. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Village considers revenues to be available if they are collected within 60 days of the end of the current fiscal period (90 days for property taxes and state shared revenues). Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due. All other revenue items are considered to be available only when cash is received by the government.



**VILLAGE OF PARMA, INC.**  
NOTES TO THE FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

C. MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND FINANCIAL STATEMENT PRESENTATION: (Continued)

The Village reports the following major governmental funds:

The General Fund is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The Major Street Fund accounts for the resources of state gas and weight tax revenues that are restricted for use on major streets.

The Local Street Fund accounts for the resources of state gas and weight tax revenues that are restricted for use on local streets.

The Village reports the following major proprietary funds:

The Waste Water, Water and Garbage Funds are used to account for business-like activities provided to the general public. These activities are financed primarily by user charges and the measurement of financial activity focuses on net income measurement similar to the private sector.

Additionally, the Village reports the following fund types:

The Motor Pool Fund (an Internal Service fund) accounts for major machinery and equipment purchases and maintenance, provided to other departments of the Village on a cost reimbursement basis.

The Village reports the following Fiduciary Funds (not included in government-wide financial statements):

Agency funds account for assets held by the Village in a purely custodial capacity, the reporting entity includes one agency fund. Since agency funds are custodial in nature, they do not involve the measurement or results of operations. The agency funds are as follows:

The Trust and Agency Fund accounts for employee withholdings and other miscellaneous receipts held by the Village in an agent's capacity.

The Stay-n-Play Playground Fund accounts for money raised by a community group for the ongoing maintenance of the Stay-n-Play Adventureland playground constructed in the Village's Groner Park in May 1999.

**VILLAGE OF PARMA, INC.**  
NOTES TO THE FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

C. MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND FINANCIAL STATEMENT PRESENTATION: (Continued)

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the government's water and sewer functions and various other functions of the government. Eliminations of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as program revenue include: (1) charges to customers or applicants for goods, services or privileges provided; (2) operating grants and contributions; (3) capital grants and contributions, including special assessments and (4) property taxes levied to pay debt. Internally dedicated resources are reported as general revenue rather than as program revenue. Likewise, general revenue includes all taxes not levied for a specific purpose.

Proprietary funds distinguish operating revenue and expenses from non-operating items. Operating revenue and expenses generally result from providing services. The principal operating revenue of our proprietary funds relate to charges to customers for sales and services. Operating expenses for proprietary funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenue and expenses not meeting this definition are reported as non-operating revenues and expenses.

D. CASH AND CASH EQUIVALENTS AND INVESTMENTS:

The Village considers cash on hand, cash in checking and savings accounts, or short term investments with an original maturity of less than 90 days as cash and cash equivalents for balance sheet purposes.

The Village Treasurer has invested certain cash in excess of current needs in bank and federally chartered credit union certificates of deposit with original maturities greater than 90 days. These are reported as investments in the accompanying financial statements, and are reported at their original cost.

State statutes and Village policies allow the Village to invest in obligations of the U.S. Treasury, certificates of deposit, certain commercial paper and corporate bonds, certain repurchase agreements, and investment pools whose assets are comprised of investments which would be legal if the Village invested directly in them.

**VILLAGE OF PARMA, INC.**  
NOTES TO THE FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

E. RECEIVABLES:

The Village records various receivables which are listed and described as follows:

**Accounts Receivable** - This account is for charges for services which have been billed but not yet received in both the Governmental and Proprietary Fund Types as of year end.

**Due From Other Governments** - This account is for amounts due from the State of Michigan for State shared revenue and Act 51 distributions. Amounts due from Jackson County for delinquent property taxes and ordinance fine distributions, reimbursements due from townships participating in the joint ventures, and amounts due from the Village of Parma Local Development Finance Authority are also reported as due from other governments.

**Assessments Receivable** - The Village allowed residents to finance their portion of water supply project costs over twenty years through a special assessment. The portion due within one year is reported as a current asset.

F. CAPITAL ASSETS:

Capital assets include property, plant, equipment, and infrastructure assets (e.g. roads, signs, sidewalks, and similar items), are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Donated capital assets are recorded at estimated fair market value at the date of donation.

Interest incurred during the construction of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

Capital assets are depreciated using the straight-line method over the following useful lives:

Buildings	40 years
Building Improvements	10 to 30 years
Waste Water and Water lines	30 to 50 years
Paved Roads	5 to 20 years
Vehicles and Equipment	5 to 10 years

G. COMPENSATED ABSENCES:

The Village does not allow the accumulation of unused sick or vacation time for its employees.

**VILLAGE OF PARMA, INC.**  
NOTES TO THE FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

H. LONG TERM OBLIGATIONS:

In the government wide financial statements and proprietary fund types in the fund financial statements, long term debt and other long term obligations are reported as liabilities in the applicable governmental activities, business type activities, or proprietary fund type statement of net assets. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

I. FUND EQUITY:

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

J. ESTIMATES:

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that effect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY:

A. BUDGETARY INFORMATION:

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the general fund. The annual budget is approved by the Village Council prior to the start of its fiscal year, and after holding a public hearing. The budget may be amended at any public meeting by a majority vote of the Council.

The budget document presents information by fund, function, department and line items. The legal level of budgetary control adopted by the governing body is the department level.

B. BUDGET VIOLATIONS:

During the year, the Village incurred expenditures in the General Fund which were in excess of the amounts appropriated. The Village also did not adopt budgets for its other governmental funds. These are violations of Michigan Public Act 2 of 1968, commonly known as the Budgeting Act.

**VILLAGE OF PARMA, INC.**  
NOTES TO THE FINANCIAL STATEMENTS

NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY: (Continued)

B. BUDGET VIOLATIONS – (Continued)

The detail of budget violations is presented in the following table:

Fund/Department	Final Amended Budget	Actual	Excess Expenditures Over Appropriations
<b>GENERAL FUND:</b>			
Treasurer	\$ 8,440	\$ 8,712	\$ (272)
Operating Transfer (Out)	-	10,000	(10,000)
<b>MAJOR STREET FUND:</b>			
Preservation	28,075	34,259	(6,184)
Winter Maintenance	2,590	6,443	(3,853)
Traffic Control	300	457	(157)
Roadside Park	475	664	(189)
Administration	860	880	(20)
<b>LOCAL STREET FUND:</b>			
Preservation	13,690	14,050	(360)
Winter Maintenance	2,590	5,638	(3,048)
Administration	860	880	(20)

C. BUILDING PERMITS:

The Village complied with state law requiring separate accounting for building permit fees and the related costs by establishing departments within the General Fund. Revenue for the year was \$2,010; the expenses were \$2,027.

**VILLAGE OF PARMA, INC.**  
NOTES TO THE FINANCIAL STATEMENTS

NOTE 3 - DEPOSITS AND INVESTMENTS:

During the fiscal year ended February 29, 2008, the Village did not violate its investment policies (see Note 1D).

**Interest Rate Risk** – is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in its fair value. The Village minimizes this risk by balancing the length of maturity and holding securities to maturity, when they will be honored at face value.

**Credit Risk** – including **custodial credit risk**, refers to the risk that an issuer or other party to a financial instrument will not fulfill its obligation. The Village attempts to minimize this risk by investing only in certificates of deposit issued by local financial institutions. There are no limits in the Village policy regarding the amount that may be invested or deposited with a particular financial institution.

The custodial credit risk for investments is that, in the event of the failure of the counterparty (e.g. broker-dealer) to a transaction, the Village will not be able to recover the value of its investment or collateral securities that are in the possession of another party. Michigan law and the Village's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits and investments, other than the following provision for deposits: Michigan law (MCL 129.33) requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law. The market value of the pledged securities in the collateral pool must equal at least 100% of the total amount deposited by the public agencies.

The Village's deposits consist of checking and savings accounts and deposits with local banks and a small amount of cash on hand. At year end, the Village's carrying amount of deposits was \$273,337 and the bank balance was \$378,078. \$100,000 of the bank balance was covered by federal depository insurance, leaving \$278,078 uninsured.

The bank balance and carrying amount of deposits for the LDFA, a discretely presented were \$481,743 and \$120,121 respectively. \$371,743 of the bank balance was uninsured at February 29, 2008.

Investments are categorized into these three categories of credit risk:

- (1) Insured or registered, or securities held by the government or its agent in the government's name.
- (2) Uninsured and unregistered, with securities held by the counter-party's trust department or agent in the government's name.
- (3) Uninsured and unregistered, with securities held by the counter-party, or by its trust department or agent but not in the government's name.

**VILLAGE OF PARMA, INC.**  
NOTES TO THE FINANCIAL STATEMENTS

NOTE 3 - DEPOSITS AND INVESTMENTS: (Continued)

At year end, the Village's investment balances were as follows:

	CATEGORY		CARRYING	MARKET
	1	2	AMOUNT	VALUE
Certificates of deposit	\$ 200,000	\$ 193,881	\$ 393,881	\$ 393,881

The LDFA investments consisted of \$337,073 invested in the Fidelity Government Portfolio Class II money market fund. Most of this fund is invested in repurchase agreements for U.S. government securities. This investment would be classified in category 3.

**Foreign currency risk** – refers to the risk from investing in foreign currencies. Such investments are not allowed under the Village's investment policies, and no such investments were made during the year ended February 29, 2008.

NOTE 4 - INTERFUND RECEIVABLES AND TRANSFERS:

The composition of interfund balances as of February 29, 2008 is as follows:

<b>Receivable Fund:</b>	Due From Amount	<b>Payable Fund:</b>	Due To Amount
General	\$ 10,527	Motor Pool	\$ 10,527
		General Fund	159
		Local Street	17
		Motor Pool	87
Major Street	263		263
Local Street	274	General Fund	274
Waste Water	50,563	General	50,563
Water	96,626	General	96,626
		Local Street	1,490
		Water	57
Motor Pool	1,547		1,547
Total	<b>\$ 159,800</b>	Total	<b>\$ 159,800</b>

The General Fund transferred \$10,000 to the Motor Pool fund in accordance with its deficit elimination plan during the year ended February 29, 2008.

**VILLAGE OF PARMA, INC.**  
NOTES TO THE FINANCIAL STATEMENTS

NOTE 5 – ADVANCED EXPENSES:

The Village has capitalized certain preliminary engineering costs and initial operating expenses (incurred prior to placing the project in service) in its Waste Water fund. The projects for which these costs have been incurred were not in service at February 29, 2008. When placed in service, the advanced expenses will be amortized over the project's useful life (expected to be forty years) using the straight-line method.

NOTE 6 – CAPITAL ASSETS:

Capital asset activity of the Village during the current year was as follows:

	<u>2/28/07</u>	<u>Increases</u>	<u>Decreases</u>	<u>2/29/08</u>
<b>Governmental Activities:</b>				
Capital assets not being depreciated:				
Land	\$ 8,275	\$ -	\$ -	\$ 8,275
Capital assets being depreciated				
Buildings and Improvements	216,462	-	-	216,462
Machinery and Equipment	44,006	-	-	44,006
Office Equipment	7,325	-	-	7,325
Vehicles	126,763	-	-	126,763
Infrastructure	938,036	20,467	-	958,503
Subtotal	1,332,592	20,467	-	1,353,059
Less - Accumulated depreciation:				
Buildings and Improvements	80,755	6,250	-	87,005
Machinery and Equipment	41,073	1,128	-	42,201
Office Equipment	7,325	-	-	7,325
Vehicles	118,807	2,028	-	120,835
Infrastructure	375,484	48,134	-	423,618
Subtotal	623,444	57,540	-	680,984
Total capital assets being depreciated, net	709,148	(37,073)	-	672,075
Governmental activities capital assets, net	\$ 717,423	\$ (37,073)	\$ -	\$ 680,350

(This schedule includes the capital assets of the Motor Pool Internal Service Fund).



**VILLAGE OF PARMA, INC.**  
NOTES TO THE FINANCIAL STATEMENTS

NOTE 6 – CAPITAL ASSETS: (Continued)

	<u>2/28/07</u>	<u>Increases</u>	<u>Decreases</u>	<u>2/29/08</u>
<b>Business-Type Activities:</b>				
Capital assets not being depreciated:				
Land	\$ 47,440	\$ -	\$ -	\$ 47,440
Capital assets being depreciated:				
Distribution and collection systems	5,399,755	8,745	-	5,408,500
Less - Accumulated depreciation:				
Distribution and collection systems	1,201,405	139,993	-	1,341,398
Total capital assets being depreciated, net	4,198,350	(131,248)	-	4,067,102
Business-type activities capital assets, net	<u>\$4,245,790</u>	<u>\$(131,248)</u>	<u>\$ -</u>	<u>\$4,114,542</u>

The sole asset of the LDFA is vacant land suitable for industrial development. It is valued at its original cost of \$285,951, reduced for subsequent land sales.

Depreciation expense was charged to programs of the Village as follows:

GOVERNMENTAL ACTIVITIES:

General Government	\$ 3,750
Public Safety	314
Public Works	48,134
Cultural and Recreation	2,498
Internal service fund depreciation is charged to Public Works based on asset usage	<u>2,844</u>
Total governmental activities	<u>\$ 57,540</u>

BUSINESS-TYPE ACTIVITIES:

Waste Water	\$ 25,707
Water	<u>114,286</u>
Total business type activities	<u>\$ 139,993</u>

**VILLAGE OF PARMA, INC.**  
NOTES TO THE FINANCIAL STATEMENTS

NOTE 7 – DEFERRED REVENUE:

A. GENERAL FUND:

During 2006 Parma Township advanced a reimbursement for the joint venture police department to allow the Village to cover payroll. This advance of \$2,279 is reported as deferred revenue.

B. PROPRIETARY FUNDS:

Customer billings for utility usage in periods after February 29, 2008 have been reported as deferred revenue in these financial statements. The revenue will be recognized in the period services are provided to the customers, in accordance with the accrual basis of accounting.

The Village has constructed a water supply system funded by the Michigan Department of Environmental Quality. As of February 29, 2008, the Village had received grant reimbursements totaling \$23,850 more than qualified expenses. This amount is reported as deferred revenue in the Water Fund.

NOTE 8 – LONG TERM DEBT:

The long term debt of the Village can be summarized as follows:

A. GOVERNMENTAL LONG TERM DEBT:

In June 2003, the Village and Parma Township entered into a capital lease agreement with a fire apparatus manufacturer. This was done to finance their portion of a new 2003 Kenworth tanker purchased for the joint venture fire department.

The total capital lease payable is for \$78,000, and it was sold to a financial institution by the manufacturer upon completion of the arrangement. The Village is responsible for the repayment of \$39,000, plus interest, of this capital lease. The other half is the responsibility of Parma Township. Payments are due in ten annual payments beginning in June 2004.

B. BUSINESS - TYPE LONG TERM DEBT:

The Village and LDFA have entered into contracts with the County of Jackson relating to the construction of a community water supply system, a water tower, and water system expansions to service the Village and the LDFA. Terms of the contracts required the County to construct the projects, and then lease them to the Village and LDFA for as long as County issued bonds and loans used to finance this construction are outstanding.

**VILLAGE OF PARMA, INC.**  
NOTES TO THE FINANCIAL STATEMENTS

NOTE 8 – LONG TERM DEBT: (Continued)

B. BUSINESS - TYPE LONG TERM DEBT: (Continued)

The lease payments will be made in an amount sufficient to pay all principal and interest due on the County bonds and loans. The Village will be responsible for the operation, maintenance, and administration of the system. Ownership will revert to the Village upon retirement of the County debt.

The Village portion of the project was financed by the County Board of Public Works through a Michigan Drinking Water Revolving Loan Fund loan. The terms of this \$1,110,000 loan call for principal payments over twenty years, commencing April 1, 2003 and ending April 1, 2022. The County requires payments thirty days prior to this schedule. Interest is charged at a fixed rate of 2.5%.

The LDFA portion of the project was financed by the County Board of Public Works through the issuance of \$1,800,000 of general obligation limited tax bonds. Bond payments will be made starting with an interest only payment due on April 1, 2003 through the final interest and principal payment due on October 1, 2021. The County requires payments thirty days prior to this schedule. The Village will reimburse the Village for payments on this lease with tax increment revenues received from the LDFA. These reimbursements are recognized as connection fees and interest revenue when received.

A summary of the long-term debt payable is as follows:

	<u>2/28/07</u>	<u>New Debt</u>	<u>Payments</u>	<u>2/29/08</u>
<b>Governmental Debt:</b>				
Contract payable	\$ 29,080	\$ -	\$ (3,616)	\$ 25,464
<b>Business-Type Debt:</b>				
Village Project lease	880,000	-	(50,000)	830,000
LDFA Project lease	1,650,000	-	(50,000)	1,600,000
Total business-type debt	<u>2,530,000</u>	<u>-</u>	<u>(100,000)</u>	<u>2,430,000</u>
Total long term debt	<u>\$ 2,559,080</u>	<u>\$ -</u>	<u>\$ (103,616)</u>	<u>\$ 2,455,464</u>

Payments are due as follows:

<u>Fiscal Year Ended</u>	<u>Governmental</u>	<u>Business-Type</u>	<u>Total</u>
February 28, 2009	\$ 4,953	\$ 6,294	\$ 11,247
February 28, 2010	4,953	202,887	207,840
February 28, 2011	4,953	204,313	209,266
February 28, 2012	4,953	225,087	230,040
February 28, 2013	4,953	220,363	225,316
February 28, 2014-2018	4,953	1,137,681	1,142,634
February 28, 2019-2022	-	914,550	914,550
Total payments	<u>29,718</u>	<u>2,911,175</u>	<u>2,940,893</u>
Less: Interest	<u>(4,254)</u>	<u>(681,175)</u>	<u>(685,429)</u>
Principal due	<u>\$ 25,464</u>	<u>\$ 2,230,000</u>	<u>\$ 2,255,464</u>

**VILLAGE OF PARMA, INC.**  
NOTES TO THE FINANCIAL STATEMENTS

NOTE 9 - FUND EQUITY/NET ASSETS:

A. RESERVED AND DESIGNATED:

Generally accepted governmental accounting principles require that fund equity be reserved in certain instances to reflect amounts not available for expenditure in future periods.

The Water Enterprise Fund has designated the assessments collected, plus the remaining balance receivable, less debt service payments to date, as being available only for debt service. This totaled \$554,662 at February 29, 2008.

B. RESTATE NET ASSETS:

During 2008, the Village corrected an error in its computation of infrastructure assets. This change results in an increase in net assets as of February 28, 2007 of \$15,985.

NOTE 10 - JOINT VENTURES:

As discussed in Note 1, the Village participates in two joint ventures with Sandstone Charter Township and Parma Township. The Village has an ongoing financial obligation to fund 30 percent of the Parma - Sandstone Inter-Municipal Police Department. This obligation is reduced to 11.87% of operating expenses for the fiscal year beginning March 1, 2008. Capital assets are financed equally by the three participating units.

Its financial obligation with respect to the Parma Sandstone Fire Department ended April 1, 2006; until that time, the Village was responsible for 20 percent of the departments operating costs.

Summary financial statements are presented on the following page:

**VILLAGE OF PARMA, INC.**  
NOTES TO THE FINANCIAL STATEMENTS

NOTE 10 – JOINT VENTURES: (Continued)

	Parma-Sandstone Inter-Municipal Police Department (As of and for the year ended February 29, 2008)	Parma Sandstone Fire Department (As of and for the year ended March 31, 2008) UNAUDITED
<b>Summary Statement of Net Assets:</b>		
<b>ASSETS:</b>		
Current assets	\$ 28,239	\$ 482,876
Capital assets, net of accumulated depreciation	107,759	405,874
Total assets	<u>135,998</u>	<u>888,750</u>
<b>LIABILITIES:</b>		
Current liabilities	12,917	253,148
Noncurrent liabilities - Accrued payroll	20,723	-
Total liabilities	<u>33,640</u>	<u>253,148</u>
<b>NET ASSETS:</b>		
Invested in capital assets:		
Townships	71,839	297,307
Parma Village	35,920	108,567
Total invested in capital assets	<u>107,759</u>	<u>405,874</u>
Unrestricted:		
Townships	(3,781)	229,162
Parma Village	(1,620)	566
Total unrestricted net assets	<u>(5,401)</u>	<u>229,728</u>
Total net assets	<u>\$ 102,358</u>	<u>\$ 635,602</u>
<b>Summary Statement of Activities:</b>		
Public safety expenses	\$ (205,075)	\$ (213,518)
Charges for service	342	3,745
Operating grants and contributions	188,397	265,002
Capital grants and contributions	-	65,546
Net (expense) revenue	<u>(16,336)</u>	<u>120,775</u>
General revenues	10,935	18,062
Change in net assets:		
Townships	(3,577)	154,753
Parma Village	(1,824)	(15,916)
Change in net assets	<u>\$ (5,401)</u>	<u>\$ 138,837</u>

**VILLAGE OF PARMA, INC.**  
NOTES TO THE FINANCIAL STATEMENTS

**NOTE 11 – PROPERTY TAXES:**

The Village levies property taxes each July, based upon the taxable value of property as of the preceding December 31. The tax bills are due September 14. Taxes paid after that time incur a penalty of 1% per month. Taxes unpaid at February 28 are returned delinquent to the County Treasurer for collection. In return, the Village receives a payment for the unpaid taxes levied on real property, plus 6% penalty. The unpaid taxes levied on personal property (business equipment and fixtures, and certain leased property) are paid to the Village upon collection by the County. The Village is responsible for repayment to the County if the real taxes remain uncollected. The Village reimburses the County approximately \$100 annually for these taxes, plus interest.

On March 15, 1994 Michigan voters approved an amendment to the Michigan Constitution permitting ad valorem taxes to be levied on a non-uniform basis. Beginning in 1995, taxable property has two valuations – State Equalized Value (SEV – supposed to approximate 50% of the property's current fair value) and Taxable Value. Property taxes are levied on the Taxable Value. The Village relies on the township assessors from Parma and Sandstone Townships to determine these values.

Generally, taxable value is to be computed as the lesser of: a) Taxable Value of the immediately preceding year, adjusted for loss, multiplied by the lesser of the net percentage change in the property's SEV, the rate of inflation, or 5%, plus additions, or b) the property's SEV.

The Village's millage rate is established annually following a public hearing. Without voter approval, the rate is limited to that of the prior year adjusted to an amount necessary to increase the total levy (excluding additions and deletions) by an amount not to exceed the annual rate of inflation or 5%, whichever is lower.

A summary of the Village's Taxable Values, Operating Millage Rates, Total taxes Levied, Collections Through February 28, County Settlement for Real Taxes, and Unpaid Delinquent Personal Property Taxes at February 28 for the past five years is as follows:

Tax Year	Taxable Value	Operating Millage Rate	Total Levy	Collected Through 2/28	Delinquent Real (Paid By County)	Delinquent Personals
2007	\$36,534,539	4.3256	\$158,032	\$153,176	\$ 4,770	\$ 86
2006	\$35,203,855	4.4180	\$155,529	\$150,456	\$ 4,903	\$ 169
2005	\$31,326,480	4.8593	\$152,223	\$148,907	\$ 3,267	\$ 49
2004	\$32,194,611	4.5986	\$148,048	\$145,150	\$ 2,755	\$ 143
2003	\$43,700,538	5.1200	\$223,746	\$219,307	\$ 4,404	\$ 35

The State of Michigan provides significant tax incentives to encourage industry to renovate and expand aging industrial facilities and to attract new industrial facilities under Michigan Public Act 198 of 1974. This Act allows units to establish districts within which property owners will pay an Industrial Facilities tax rather than an ad valorem tax for up to twelve years.

**VILLAGE OF PARMA, INC.**  
NOTES TO THE FINANCIAL STATEMENTS

NOTE 11 – PROPERTY TAXES: (Continued)

For such districts established prior to January 1994, plant and equipment is taxed at one-half the total mills levied by all taxing units. For new districts created after 1993, plant and equipment is taxed at one-half the total mills levied except mills levied under the State Education Tax Act, plus the number of mills levied under that Act.

There are currently seven IFT certificates (districts) in the Village of Parma. A summary of the past five years' levies is as follows:

Tax Year	Taxable Value	Operating Millage Rate	Total Levy	Collected Through 2/28	Returned Delinquent
2007	\$ 44,468,929	2.16280	\$ 96,177	\$ 96,177	\$ -
2006	\$ 47,851,737	2.21000	\$ 105,752	\$ 105,752	\$ -
2005	\$ 53,388,103	2.42965	\$ 129,733	\$ 129,733	\$ -
2004	\$ 56,581,697	2.30000	\$ 130,138	\$ 130,138	\$ -
2003	\$ 63,089,830	2.56000	\$ 161,510	\$ 161,510	\$ -

The Village's ad valorem and industrial facilities taxes levied on property within the Village of Parma LDFA are subject to capture by the LDFA. For the fiscal year 2008 (tax levy 2007), the LDFA captured the following amounts:

	Taxable Value	Levy
Ad valorem	\$ 24,357,013	\$ 105,359
Industrial Facilities Tax	44,468,929	96,177
	<u>\$ 68,825,942</u>	<u>\$ 201,536</u>

In 2002, the Village began levying a special millage for hydrants and other community water system construction expenses which could not be attributed to a specific property. This tax levy is restricted to debt payments on the capital lease payable of the Water Enterprise Fund. A summary of the levy is as follows:

Tax Year	Taxable Value	Hydrant Millage Rate	Total Levy	Collected Through 2/28	Delinquent Real (Paid By County)	Delinquent Personals
Ad Valorem:						
2007	\$36,534,539	0.3800	\$ 13,881	\$ 13,455	\$ 419	\$ 7
2006	\$35,203,855	0.3800	\$ 13,375	\$ 12,939	\$ 421	\$ 15
2005	\$31,326,480	0.3800	\$ 11,902	\$ 11,643	\$ 255	\$ 4
2004	\$32,194,611	0.3800	\$ 12,232	\$ 11,989	\$ 231	\$ 12
2003	\$43,700,538	0.3800	\$ 16,605	\$ 16,276	\$ 326	\$ 3
Industrial Facilities Tax:						
2007	\$44,468,929	0.1900	\$ 8,449	\$ 8,449	\$ -	\$ -
2006	\$47,851,737	0.1900	\$ 9,092	\$ 9,092	\$ -	\$ -
2005	\$53,388,103	0.1900	\$ 10,144	\$ 10,144	\$ -	\$ -
2004	\$56,581,697	0.1900	\$ 10,751	\$ 10,751	\$ -	\$ -
2003	\$63,089,830	0.1900	\$ 11,987	\$ 11,987	\$ -	\$ -

**VILLAGE OF PARMA, INC.**  
NOTES TO THE FINANCIAL STATEMENTS

NOTE 12 - EMPLOYEES' RETIREMENT PLANS:

The Village of Parma has a Simple IRA plan, which was established in March of 1999, for Village employees. The employees' contribution during the year was \$0; the Village match totaled \$0.

NOTE 13 - COMMITMENTS AND CONTINGENCIES:

The Village has the following commitments and/or contingencies at February 29, 2008:

A. SEWAGE TREATMENT:

Tests performed during the fiscal year ended February 28, 2001 revealed that the Village's waste water treatment lagoons were leaking at a rate above that allowed by state statute. The State's Department of Environmental Quality has the authority to fine the Village up to \$25,000 per day for each day of noncompliance.

The Village is currently exploring its options to correct this problem, and has approved an application for project funding through a state revolving loan fund.

Preliminary plans project a \$2.8 million total cost to renovate the Village's waste water treatment facility.

NOTE 14 - RISK MANAGEMENT:

The Village is exposed to various risks of loss related to property loss, torts, errors and omissions and employee injuries (workers' compensation), as well as medical benefits provided to employees. The Village participates in municipal self-insurance entities through the Michigan Municipal League for these risks. The entities obtain excess reinsurance to limit losses to participants.

NOTE 15 - ECONOMIC DEPENDENCE:

The Village received 33% of its General Fund revenue (\$75,697) and 99% of its Special Revenue Fund revenue (\$62,888 of \$63,190) from the State of Michigan during the fiscal year ended February 29, 2008.

The Village received another 35% of its General Fund revenue from essentially one taxpayer - Michigan Automotive Compressor, Inc. (MACI). Combining property taxes paid (\$615), and the distribution from the LDFA (of which MACI is currently the only taxpayer - \$79,843), this company provided \$80,458 of the General Fund's revenue.

The Village is exposed to the risk that an economic downturn affecting either of those two entities would have a severe impact on its financial condition.



**VILLAGE OF PARMA, INC.**  
NOTES TO THE FINANCIAL STATEMENTS

NOTE 16 – SUBSEQUENT EVENTS:

A. WASTE WATER SYSTEM UPGRADES:

The Village has studied its options to address problems with its waste water treatment lagoons (see Note 13) and tentatively decided to renovate its existing wastewater lagoons. The Village has tentatively been approved for financing through the State Revolving Fund to proceed with this option. The project financing should be received in September 2008, with construction commencing immediately. The project is expected to be completed in early 2009. . Projections of the proposed project indicate that the Village's costs and amount financed will be approximately \$2.8 million.

**VILLAGE OF PARMA, INC.**

REQUIRED SUPPLEMENTAL INFORMATION

**VILLAGE OF PARMA, INC.**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -**  
**BUDGET AND ACTUAL**  
**GENERAL FUND**  
**THE YEAR ENDED FEBRUARY 29, 2008**

	Budgeted Amounts		Actual	Variance With Final Budgeted
	Original	Final Amended		
<b>REVENUES:</b>				
Taxes and penalties	\$ 58,266	\$ 58,266	\$ 53,690	\$ (4,576)
Licenses and permits	3,300	3,300	3,721	421
Intergovernmental - From the State	70,600	70,600	76,377	5,777
Intergovernmental - From Local Units	55,048	55,048	84,042	28,994
Charges for service	4,100	4,100	4,843	743
Interest	2,600	2,600	2,971	371
Other	4,000	4,000	1,102	(2,898)
Total revenues	197,914	197,914	226,746	28,832
<b>EXPENDITURES:</b>				
General government	80,887	80,887	75,495	5,392
Public safety	69,642	69,642	64,474	5,168
Community planning	2,370	2,370	1,140	1,230
Public works	21,300	21,300	18,964	2,336
Cultural and recreational	14,450	14,450	10,493	3,957
Other	5,000	5,000	252	4,748
Debt service	5,000	5,000	4,953	47
Total expenditures	198,649	198,649	175,771	22,878
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	(735)	(735)	50,975	51,710
<b>OTHER FINANCING SOURCES (USES):</b>				
Sale of fixed assets	-	-	-	-
Operating transfers in	-	-	-	-
Operating transfers (out)	-	-	(10,000)	(10,000)
Total other financing sources (uses)	-	-	(10,000)	(10,000)
<b>EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES</b>	(735)	(735)	40,975	41,710
<b>FUND BALANCE - Beginning</b>	7,306	7,306	7,306	-
<b>FUND BALANCE - End</b>	\$ 6,571	\$ 6,571	\$ 48,281	\$ 41,710

The notes to the financial statements are an integral part of this statement.

**VILLAGE OF PARMA, INC.**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -**  
**BUDGET AND ACTUAL**  
**MAJOR STREET FUND**  
**THE YEAR ENDED FEBRUARY 29, 2008**

	Budgeted Amounts			Variance With
	Original	Final Amended	Actual	Final Budgeted
<b>REVENUES:</b>				
<b>Intergovernmental:</b>				
Federal grants	\$ -	\$ -	\$ -	\$ -
State shared revenues	39,000	39,000	44,091	5,091
Metro Act revenue	-	-	-	-
Total intergovernmental	39,000	39,000	44,091	5,091
Interest	-	-	277	277
Total revenues	39,000	39,000	44,368	5,368
<b>EXPENDITURES:</b>				
<b>Public Works:</b>				
Construction	-	-	-	-
Preservation	28,075	28,075	34,259	(6,184)
Winter maintenance	2,590	2,590	6,443	(3,853)
Traffic Control	300	300	457	(157)
Roadside park maintenance	475	475	664	(189)
Nonmotorized projects	-	-	-	-
Administration	860	860	880	(20)
Total expenditures	32,300	32,300	42,703	(10,403)
EXCESS OF REVENUES UNDER EXPENDITURES	6,700	6,700	1,665	(5,035)
OTHER FINANCING SOURCES (USES):				
Operating transfers in	-	-	-	-
Operating transfers (out)	(2,200)	(2,200)	-	2,200
Total other financing sources (uses)	(2,200)	(2,200)	-	2,200
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING (USES)	4,500	4,500	1,665	(2,835)
FUND BALANCE - Beginning of year	52,289	52,289	52,289	-
FUND BALANCE - End of year	\$ 56,789	\$ 56,789	\$ 53,954	\$ (2,835)

The notes to the financial statements are in integral part of this statement.

**VILLAGE OF PARMA, INC.**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -**  
**BUDGET AND ACTUAL**  
**LOCAL STREET FUND**  
**THE YEAR ENDED FEBRUARY 29, 2008**

	Budgeted Amounts			Variance With
	Original	Final Amended	Actual	Final Budgeted
<b>REVENUES:</b>				
<b>Intergovernmental:</b>				
Federal grants	\$ -	\$ -	\$ -	\$ -
State shared revenues	15,000	15,000	16,029	1,029
Metro Act revenues	-	-	2,768	2,768
Total intergovernmental	15,000	15,000	18,797	3,797
Interest	-	-	25	25
Total revenues	15,000	15,000	18,822	3,822
<b>EXPENDITURES:</b>				
<b>Public Works:</b>				
Construction	-	-	-	-
Preservation	13,690	13,690	14,050	(360)
Winter maintenance	2,590	2,590	5,638	(3,048)
Traffic Control	-	-	-	-
Roadside park maintenance	-	-	-	-
Nonmotorized projects	-	-	-	-
Administration	860	860	880	(20)
Total expenditures	17,140	17,140	20,568	(3,428)
EXCESS (DEFICIECNKY)OF REVENUES				
UNDER EXPENDITURES	(2,140)	(2,140)	(1,746)	394
<b>OTHER FINANCING SOURCES (USES):</b>				
Operating transfers in	2,200	2,200	-	(2,200)
Operating transfers (out)	-	-	-	-
Total other financing sources (uses)	2,200	2,200	-	(2,200)
EXCESS OF REVENUES AND				
OTHER FINANCING SOURCES				
OVER (UNDER) EXPENDITURES				
AND OTHER FINANCING (USES)	60	60	(1,746)	(1,806)
FUND BALANCE - Beginning of year	7,319	7,319	7,319	-
FUND BALANCE - End of year	\$ 7,379	\$ 7,379	\$ 5,573	\$ (1,806)

The notes to the financial statements are in integral part of this statement.

**VILLAGE OF PARMA, INC.**

ADDITIONAL INFORMATION

**VILLAGE OF PARMA, INC.**

COMBINING FINANCIAL STATEMENTS  
FIDUCIARY FUNDS

**FIDUCIARY FUNDS:**

*TRUST AND AGENCY FUND* - This fund accounts for employee withholdings and other miscellaneous receipts held by the Village in an agent's capacity.

*STAY-N-PLAY PLAYGROUND FUND* - This fund accounts for money raised by a community group for the ongoing maintenance of the Stay-n-Play Adventureland playground constructed in the Village's Groner Park in May 1999.

**VILLAGE OF PARMA, INC.**  
**COMBINING BALANCE SHEET**  
**AGENCY FUNDS**  
FEBRUARY 29, 2008

	Trust and Agency	Stay-n-Play Playground	Total
<b>ASSETS:</b>			
Cash	\$ 12,420	\$ 5,564	\$ 17,984
Investments	-	15,000	15,000
Due from other governments	1,136	-	1,136
Total assets	<u>\$ 13,556</u>	<u>\$ 20,564</u>	<u>\$ 34,120</u>
<b>LIABILITIES:</b>			
Accrued payroll taxes and withholdings	\$ 3,151	\$ -	\$ 3,151
Due to other governments	10,405	-	10,405
Due to other groups	-	20,564	20,564
Total liabilities	<u>\$ 13,556</u>	<u>\$ 20,564</u>	<u>\$ 34,120</u>

The notes to the financial statements are an integral part of this statement.



**VILLAGE OF PARMA, INC.**  
**COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES**  
**AGENCY FUNDS**  
**THE YEAR ENDED FEBRUARY 29, 2008**

	Balance 02/28/07	Additions	Deletions	Balance 02/29/08
<b>TRUST AND AGENCY FUND:</b>				
ASSETS:				
Cash	\$ 15,086	\$ 106,677	\$ 109,343	\$ 12,420
Investments	-	-	-	-
Due from other governments	889	247	-	1,136
Total assets	<u>\$ 15,975</u>	<u>\$ 106,924</u>	<u>\$ 109,343</u>	<u>\$ 13,556</u>
LIABILITIES:				
Accrued payroll taxes and withholdings	\$ 4,848	\$ 90,796	\$ 92,493	\$ 3,151
Due to other governments	11,127	16,128	16,850	10,405
Due to other groups	-	-	-	-
Total liabilities	<u>\$ 15,975</u>	<u>\$ 106,924</u>	<u>\$ 109,343</u>	<u>\$ 13,556</u>
<b>STAY-N-PLAY PLAYGROUND FUND:</b>				
ASSETS:				
Cash	\$ 2,563	\$ 3,001	\$ -	\$ 5,564
Investments	16,498	-	1,498	15,000
Due from other governments	-	-	-	-
Total assets	<u>\$ 19,061</u>	<u>\$ 3,001</u>	<u>\$ 1,498</u>	<u>\$ 20,564</u>
LIABILITIES:				
Accrued payroll taxes and withholdings	\$ -	\$ -	\$ -	\$ -
Due to other funds	-	-	-	-
Due to other governments	-	-	-	-
Due to other groups	19,061	3,001	1,498	20,564
Total liabilities	<u>\$ 19,061</u>	<u>\$ 3,001</u>	<u>\$ 1,498</u>	<u>\$ 20,564</u>
Total assets/liabilities				
	<u>\$ 35,036</u>	<u>\$ 109,925</u>	<u>\$ 110,841</u>	<u>\$ 34,120</u>

The notes to the financial statements are an integral part of this statement.

**VILLAGE OF PARMA, INC.**

INDIVIDUAL FUND STATEMENTS

**VILLAGE OF PARMA, INC.**  
**BALANCE SHEET**  
**GENERAL FUND**  
 FEBRUARY 29, 2008  
 (With comparative amounts as of February 28, 2007)

	<b>2008</b>	2007
<b>ASSETS:</b>		
Cash and cash equivalents	\$ 101,840	\$ 65,632
Investments - At cost	40,242	-
Receivables	4,627	2,366
Due from other funds	10,527	20,783
Due from other governments	43,607	88,064
Prepaid expenses	-	-
	<hr/>	<hr/>
Total assets and other debits	<b>\$ 200,843</b>	<b>\$ 176,845</b>
	<hr/>	<hr/>
<b>LIABILITIES AND FUND EQUITY</b>		
<b>LIABILITIES:</b>		
Accounts payable	\$ 2,661	\$ 2,493
Due to other funds	147,622	164,767
Accrued payroll	-	-
Deferred revenue	2,279	2,279
Total liabilities	<b>152,562</b>	<b>169,539</b>
	<hr/>	<hr/>
<b>FUND EQUITY:</b>		
Fund balance:		
Reserved	-	-
Designated	-	922
Unreserved and undesignated	48,281	6,384
	<hr/>	<hr/>
Total fund equity	<b>48,281</b>	<b>7,306</b>
	<hr/>	<hr/>
Total liabilities and fund equity	<b>\$ 200,843</b>	<b>\$ 176,845</b>
	<hr/>	<hr/>

The notes to the financial statements are an integral part of this statement.

**VILLAGE OF PARMA, INC.**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -**  
**BUDGET AND ACTUAL**  
**GENERAL FUND**  
**THE YEAR ENDED FEBRUARY 29, 2008**  
(With comparative amounts from the year ended February 28, 2007)

	2008			2007
	Final Amended Budget	Actual	Variance With Budget	Actual
<b>REVENUES:</b>				
<b>TAXES AND PENALTIES:</b>				
Current property taxes	\$ 160,000	\$ 158,032	\$ (1,968)	\$ 155,529
Less: Captured by LDFA	(105,000)	(105,359)	(359)	(104,249)
Net current property taxes	55,000	52,673	(2,327)	51,280
Industrial Facilities Tax	100,000	96,177	(3,823)	105,752
Less: Captured by LDFA	(100,000)	(96,177)	3,823	(105,752)
Net Industrial Facilities Tax	-	-	-	-
Trailer park fees	66	66	-	66
Delinquent taxes collected	3,000	180	(2,820)	178
Administrative fee	150	202	52	205
Interest and penalties	50	569	519	503
Total taxes and penalties	58,266	53,690	(4,576)	52,232
<b>LICENSES AND PERMITS:</b>				
Cable TV franchise fees	800	1,711	911	1,624
Permits	2,500	2,010	(490)	2,647
Total licenses and permits	3,300	3,721	421	4,271
<b>INTERGOVERNMENTAL:</b>				
From the State:				
State shared revenues	70,000	75,697	5,697	75,915
Liquor inspections	600	680	80	640
Total from the state	70,600	76,377	5,777	76,555
From Local Units:				
LDFA Distribution of excess capture	49,848	79,843	29,995	49,848
Library expense sharing	5,200	4,199	(1,001)	4,073
Total from local units	55,048	84,042	28,994	53,921
Total intergovernmental	125,648	160,419	34,771	130,476
<b>CHARGES FOR SERVICES:</b>				
Bookkeeping fees	3,000	3,900	900	3,175
Information searches	400	546	146	731
Sale of leaf bags	700	397	(303)	840
Total charges for service	4,100	4,843	743	4,746
<b>INTEREST</b>	2,600	2,971	371	2,810
<b>OTHER:</b>				
Miscellaneous	4,000	907	(3,093)	-
Donations	-	-	-	-
Reimbursements - Fire	-	195	195	817
Total other revenue	4,000	1,102	(2,898)	817
Total revenues	\$ 197,914	\$ 226,746	\$ 28,832	\$ 195,352

The notes to the financial statements are an integral part of this statement.

**VILLAGE OF PARMA, INC.**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -**  
**BUDGET AND ACTUAL**  
**GENERAL FUND**  
**THE YEAR ENDED FEBRUARY 29, 2008**  
(With comparative amounts from the year ended February 28, 2007)

	2008			2007
	Final Amended Budget	Actual	Variance With Budget	Actual
<b>EXPENDITURES:</b>				
<b>Current:</b>				
<b>GENERAL GOVERNMENT:</b>				
<b>Village Council:</b>				
Council Salaries	\$ 23,000	\$ 21,740	\$ 1,260	\$ 19,197
Payroll taxes	1,800	1,684	116	1,491
Pofessional services	12,000	9,285	2,715	10,207
Contract services	-	-	-	-
Membership and dues	1,400	1,195	205	1,224
Miscellaneous	200	266	(66)	228
Total Village Council	38,400	34,170	4,230	32,347
<b>Elections:</b>				
Salaries	750	371	379	-
Payroll taxes	-	-	-	-
Supplies	750	706	44	-
Total elections	1,500	1,077	423	-
<b>Clerk:</b>				
Salary	7,100	6,300	800	5,684
Payroll taxes	545	482	63	435
Office supplies	500	437	63	80
Total clerk	8,145	7,219	926	6,199
<b>Treasurer:</b>				
Salary	7,700	7,935	(235)	8,316
Payroll taxes	590	607	(17)	636
Tax statements	150	170	(20)	112
Total treasurer	\$ 8,440	\$ 8,712	\$ (272)	\$ 9,064

The notes to the financial statements are an integral part of this statement.

**VILLAGE OF PARMA, INC.**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -**  
**BUDGET AND ACTUAL**  
**GENERAL FUND**  
**THE YEAR ENDED FEBRUARY 29, 2008**  
(With comparative amounts from the year ended February 28, 2007)

	2008			2007
	Final Amended Budget	Actual	Variance With Budget	Actual
<b>EXPENDITURES: (Continued)</b>				
<b>Current: (Continued)</b>				
<b>Village Hall and Grounds:</b>				
Wages	\$ -	\$ -	\$ -	\$ -
Payroll taxes	-	-	-	-
Unemployment taxes	-	540	(540)	792
Workers compensation insurance	-	947	(947)	235
Office equipment repair	250	116	134	459
Office supplies	-	-	-	785
Operating supplies	1,500	1,545	(45)	1,313
Contract labor	-	-	-	-
Printing	-	-	-	-
Insurance	15,000	12,517	2,483	11,268
Utilities	5,802	6,418	(616)	5,488
Repairs and maintenance	250	294	(44)	-
Training	300	333	(33)	-
Computer expenses	1,000	1,351	(351)	-
Miscellaneous	300	256	44	144
Total village hall and grounds	24,402	24,317	85	20,484
Total general government	80,887	75,495	5,392	68,094
<b>PUBLIC SAFETY:</b>				
<b>Parma - Sandstone Police Department:</b>				
Contribution to joint venture	59,577	55,510	4,067	53,676
Total Parma - Sandstone Police	59,577	55,510	4,067	53,676
<b>Village Police:</b>				
Wages	5,215	5,200	15	5,178
Payroll taxes	400	399	1	396
Auto	800	723	77	656
Gas & Oil	650	615	35	588
Capital outlay	-	-	-	-
Total village police	7,065	6,937	128	6,818
<b>Parma - Sandstone Fire Department:</b>				
Contribution to joint venture	-	-	-	2,344
Total Parma - Sandstone Fire	-	-	-	2,344
<b>Inspections:</b>				
Wages	-	160	(160)	640
Payroll taxes	-	12	(12)	49
Supplies	-	-	-	-
Inspector fees	3,000	1,855	1,145	2,910
Total inspections	3,000	2,027	973	3,599
Total public safety	\$ 69,642	\$ 64,474	\$ 5,168	\$ 66,437

The notes to the financial statements are an integral part of this statement.

**VILLAGE OF PARMA, INC.**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -**  
**BUDGET AND ACTUAL**  
**GENERAL FUND**  
**THE YEAR ENDED FEBRUARY 29, 2008**  
(With comparative amounts from the year ended February 28, 2007)

	2008			2007
	Final Amended Budget	Actual	Variance With Budget	Actual
<b>EXPENDITURES: (Continued)</b>				
<b>Current: (Continued)</b>				
<b>COMMUNITY PLANNING:</b>				
<b>Planning Commission:</b>				
Wages	\$ -	\$ 120	\$ (120)	\$ 550
Payroll taxes	170	-	170	42
Contractual labor	2,100	1,020	1,080	455
Operating supplies	100	-	100	37
Total Planning Commission	2,370	1,140	1,230	1,084
<b>PUBLIC WORKS:</b>				
<b>Sanitation and Landfill:</b>				
Wages	2,800	2,320	480	2,279
Payroll taxes	-	178	(178)	175
Spring clean up	-	-	-	-
Equipment usage	1,500	1,303	197	1,121
Total sanitation and landfill	4,300	3,801	499	3,575
<b>General Public Works:</b>				
Biodegradable leaf bags	800	396	404	199
Community improvements	200	1,498	(1,298)	175
Street lighting	12,000	11,069	931	12,888
Sidewalk construction	1,500	200	1,300	388
Tree removal and replacement	2,500	2,000	500	878
Equipment usage	-	-	-	-
Total general public works	17,000	15,163	1,837	14,528
Total public works	21,300	18,964	2,336	18,103
<b>CULTURAL AND RECREATIONAL :</b>				
<b>Parks and Recreation:</b>				
Labor	500	280	220	301
Payroll taxes	50	21	29	23
Contract services	2,700	2,565	135	2,565
Pavillion	2,000	1,575	425	1,675
Utilities	1,800	1,042	758	1,197
Equipment usage	400	133	267	269
Total parks and recreation	7,450	5,616	1,834	6,030
<b>Library:</b>				
Utilities and maintenance	7,000	4,877	2,123	4,734
Total cultural and recreational	\$ 14,450	\$ 10,493	\$ 3,957	\$ 10,764

The notes to the financial statements are an integral part of this statement.

**VILLAGE OF PARMA, INC.**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -**  
**BUDGET AND ACTUAL**  
**GENERAL FUND**  
**THE YEAR ENDED FEBRUARY 29, 2008**  
(With comparative amounts from the year ended February 28, 2007)

	2008			2007
	Final Amended Budget	Actual	Variance With Budget	Actual
<b>EXPENDITURES:</b> (Continued)				
<b>OTHER FUNCTIONS:</b>				
Tax refunds	\$ 5,000	\$ 252	\$ 4,748	\$ 254
Total other functions	5,000	252	4,748	254
 Total current expenditures	 193,649	 170,818	 22,831	 164,736
<b>CAPITAL OUTLAY:</b>				
General	-	-	-	-
Parks	-	-	-	-
Total capital outlay	-	-	-	-
<b>DEBT SERVICE:</b>				
Principal	3,500	3,615	(115)	3,456
Interest	1,500	1,338	162	1,496
Total debt service	5,000	4,953	47	4,952
 Total expenditures	 198,649	 175,771	 22,878	 169,688
 EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	 (735)	 50,975	 51,710	 25,664
 OTHER FINANCING SOURCES (USES):				
Sale of fixed assets	-	-	-	-
Operating transfers in	-	-	-	-
Operating transfers (out)	-	(10,000)	(10,000)	-
Total other financing sources (uses)	-	(10,000)	(10,000)	-
 EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES	 (735)	 40,975	 41,710	 25,664
 FUND BALANCE - Beginning (Restated)	 7,306	 7,306	 -	 (18,358)
 FUND BALANCE - End	 \$ 6,571	 \$ 48,281	 \$ 41,710	 \$ 7,306

The notes to the financial statements are an integral part of this statement.



**VILLAGE OF PARMA, INC.**  
**BALANCE SHEET**  
**MAJOR STREET FUND**  
 FEBRUARY 29, 2008  
 (With comparative amounts as of February 28, 2007)

	<u>2008</u>	<u>2007</u>
<b>ASSETS:</b>		
Cash and cash equivalents	\$ 46,244	\$ 46,396
Due from other funds	263	363
Due from other governments	<u>7,921</u>	<u>8,012</u>
Total assets	<u>\$ 54,428</u>	<u>\$ 54,771</u>
<b>LIABILITIES AND FUND EQUITY</b>		
<b>LIABILITIES:</b>		
Accounts payable	\$ 474	\$ 282
Due to other funds	-	2,200
Total liabilities	<u>474</u>	<u>2,482</u>
<b>FUND EQUITY:</b>		
Unreserved	<u>53,954</u>	<u>52,289</u>
Total liabilities and fund equity	<u>\$ 54,428</u>	<u>\$ 54,771</u>

The notes to the financial statements are an integral part of this statement.

**VILLAGE OF PARMA, INC.**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**BUDGET AND ACTUAL**  
**MAJOR STREET FUND**  
**THE YEAR ENDED FEBRUARY 29, 2008**  
(With comparative amounts from the year ended February 28, 2007)

	<u>BUDGET</u>	<u>2008 ACTUAL</u>	<u>VARIANCE</u>	<u>2007 ACTUAL</u>
<b>REVENUES:</b>				
<b>Intergovernmental:</b>				
Federal grants	\$ -	\$ -	\$ -	\$ -
State shared revenues	39,000	44,091	5,091	44,365
Metro Act revenue	-	-	-	1,390
Total intergovernmental	39,000	44,091	5,091	45,755
<b>Interest</b>	-	277	277	300
Total revenues	39,000	44,368	5,368	46,055
<b>EXPENDITURES:</b>				
<b>Public Works:</b>				
Construction	-	-	-	-
Preservation	28,075	34,259	(6,184)	17,090
Winter maintenance	2,590	6,443	(3,853)	2,220
Traffic Control	300	457	(157)	-
Roadside park maintenance	475	664	(189)	354
Nonmotorized projects	-	-	-	-
Administration	860	880	(20)	780
Total expenditures	32,300	42,703	(10,403)	20,444
EXCESS OF REVENUES UNDER EXPENDITURES	6,700	1,665	(5,035)	25,611
<b>OTHER FINANCING SOURCES (USES):</b>				
Operating transfers in	-	-	-	-
Operating transfers (out)	(2,200)	-	(2,200)	(2,200)
Total other financing sources (uses)	(2,200)	-	(2,200)	(2,200)
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING (USES)	4,500	1,665	(7,235)	23,411
FUND BALANCE - Beginning of year	52,289	52,289	-	28,878
FUND BALANCE - End of year	\$ 56,789	\$ 53,954	\$ (7,235)	\$ 52,289

The notes to the financial statements are in integral part of this statement.

**VILLAGE OF PARMA, INC.**  
**BALANCE SHEET**  
**LOCAL STREET FUND**  
 FEBRUARY 29, 2008  
 (With comparative amounts as of February 28, 2007)

	<u>2008</u>	<u>2007</u>
<b>ASSETS:</b>		
Cash and cash equivalents	\$ 4,164	\$ 2,214
Due from other funds	274	2,490
Due from other governments	<u>2,879</u>	<u>2,913</u>
Total assets	<u>\$ 7,317</u>	<u>\$ 7,617</u>
<b>LIABILITIES AND FUND EQUITY</b>		
<b>LIABILITIES:</b>		
Accounts payable	\$ 237	\$ 282
Due to other funds	<u>1,507</u>	<u>16</u>
Total liabilities	<u>1,744</u>	<u>298</u>
<b>FUND EQUITY:</b>		
Unreserved	<u>5,573</u>	<u>7,319</u>
Total liabilities and fund equity	<u>\$ 7,317</u>	<u>\$ 7,617</u>

The notes to the financial statements are an integral part of this statement.

**VILLAGE OF PARMA, INC.**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**BUDGET AND ACTUAL**  
**LOCAL STREET FUND**  
**THE YEAR ENDED FEBRUARY 29, 2008**  
(With comparative amounts from the year ended February 28, 2007)

	BUDGET	2008 ACTUAL	VARIANCE	2007 ACTUAL
<b>REVENUES:</b>				
<b>Intergovernmental:</b>				
Federal grants	\$ -	\$ -	\$ -	\$ -
State shared revenues	15,000	16,029	1,029	16,134
METRO Act revenue	-	2,768	2,768	1,390
Total intergovernmental	15,000	18,797	3,797	17,524
<b>Interest</b>	-	25	25	80
Total revenues	15,000	18,822	3,822	17,604
<b>EXPENDITURES:</b>				
<b>Public Works:</b>				
Construction	-	-	-	-
Preservation	13,690	14,050	(360)	32,763
Winter maintenance	2,590	5,638	(3,048)	2,545
Traffic Control	-	-	-	-
Roadside park maintenance	-	-	-	-
Nonmotorized projects	-	-	-	-
Administration	860	880	(20)	780
Total expenditures	17,140	20,568	(3,428)	36,088
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(2,140)	(1,746)	394	(18,484)
<b>OTHER FINANCING SOURCES (USES);</b>				
Operating transfers in	2,200	-	(2,200)	2,200
Operating transfers (out)	-	-	-	-
Total other financing sources (uses)	2,200	-	(2,200)	2,200
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING (USES)	60	(1,746)	(1,806)	(16,284)
FUND BALANCE - Beginning of year	7,319	7,319	-	24,770
FUND BALANCE - End of year	\$ 7,379	\$ 5,573	\$ (1,806)	\$ 8,486

The notes to the financial statements are in integral part of this statement.

**VILLAGE OF PARMA, INC.**  
**BALANCE SHEET**  
**WASTE WATER FUND**  
**FEBRUARY 29, 2008**  
(With comparative amounts as of February 28, 2007)

	<u>2008</u>	<u>2007</u>
<b>ASSETS:</b>		
<b>CURRENT ASSETS:</b>		
Cash and cash equivalents	\$ 7,297	\$ 37,338
Investments, at cost	338,639	473,295
Receivables:		
Accounts	28,090	23,731
Assessments/Connection Fees - Current portion	-	-
Accrued Interest	655	10,613
Total receivables	28,745	34,344
Due from other funds	50,563	66,563
Advanced expenses	303,918	97,712
Total current assets	729,162	709,252
<b>PROPERTY, PLANT AND EQUIPMENT:</b>		
Capital assets - Net	202,371	219,333
<b>OTHER ASSETS:</b>		
Assessments/Connection Fees - Long-term portion	-	-
Total assets	<u>\$ 931,533</u>	<u>\$ 928,585</u>
<b>LIABILITIES:</b>		
<b>CURRENT LIABILITIES:</b>		
Accounts payable	\$ 42,911	\$ 23,451
Due to other funds	-	-
Deferred revenue	19,691	17,622
Capital lease payable - Current	-	-
Total current liabilities	62,602	41,073
<b>LONG-TERM LIABILITIES:</b>		
Capital lease payable - Long-term portion	-	-
Total liabilities	62,602	41,073
<b>FUND EQUITY -</b>		
Retained earnings - Designated for debt service	-	-
Retained earnings - Undesignated	868,931	887,512
Total fund equity	868,931	887,512
Total liabilities and fund equity	<u>\$ 931,533</u>	<u>\$ 928,585</u>

The notes to the financial statements are an integral part of this statement.

**VILLAGE OF PARMA, INC.**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN RETAINED EARNINGS**  
**WASTE WATER FUND**  
 THE YEAR ENDED FEBRUARY 29, 2008  
 (With comparative amounts from the year ended February 28, 2007)

	<b>2008</b>	2007
<b>OPERATING REVENUES:</b>		
Charges for services	<b>\$ 77,722</b>	\$ 71,384
Interest and penalties	<b>4,897</b>	1,288
Total operating revenues	<b>82,619</b>	72,672
<b>OPERATING EXPENSES:</b>		
<b>Administration:</b>		
Clerical salaries	<b>7,496</b>	6,357
Payroll taxes	<b>573</b>	487
Office supplies	<b>82</b>	192
Other	<b>-</b>	134
Professional services	<b>1,846</b>	2,500
Total administration	<b>9,997</b>	9,670
<b>Operations and maintenance:</b>		
Salaries	<b>359</b>	455
Payroll taxes	<b>28</b>	35
Contract services	<b>32,091</b>	30,474
Professional services	<b>-</b>	-
Utilities	<b>5,866</b>	5,664
Repairs and maintenance	<b>48,565</b>	8,317
Operating supplies	<b>-</b>	-
Equipment usage	<b>517</b>	680
Miscellaneous	<b>-</b>	-
Total operations and maintenance	<b>87,426</b>	45,625
<b>Depreciation</b>	<b>25,707</b>	25,230
Total operating expenses	<b>123,130</b>	80,525
OPERATING INCOME (LOSS)	<b>(40,511)</b>	(7,853)
<b>NON-OPERATING REVENUES/EXPENSES -</b>		
Taxes - Hydrant	<b>-</b>	-
Connection fees	<b>-</b>	-
Interest income	<b>21,930</b>	23,656
Connection expenses	<b>-</b>	-
Interest expense	<b>-</b>	-
Total non-operating revenues/expenses	<b>21,930</b>	23,656
NET INCOME (LOSS)	<b>(18,581)</b>	15,803
RETAINED EARNINGS - Beginning	<b>887,512</b>	871,709
RETAINED EARNINGS - Ending	<b>\$ 868,931</b>	\$ 887,512

The notes to the financial statements are an integral part of this statement.

**VILLAGE OF PARMA, INC.**  
**BALANCE SHEET**  
**WATER FUND**  
FEBRUARY 29, 2008  
(With comparative amounts as of February 28, 2007)

	<u>2008</u>	<u>2007</u>
<b>ASSETS:</b>		
<b>CURRENT ASSETS:</b>		
Cash and cash equivalents	\$ 83,612	\$ 57,750
Investments, at cost	-	-
Receivables:		
Accounts	10,108	13,010
Assessments/Connection Fees - Current portion	27,200	37,169
Accrued Interest	-	-
Total receivables	<u>37,308</u>	<u>50,179</u>
Due from other funds	96,626	97,749
Advanced expenses	-	-
Total current assets	<u>217,546</u>	<u>205,678</u>
<b>PROPERTY, PLANT AND EQUIPMENT:</b>		
Capital assets - Net	<u>3,912,171</u>	<u>4,026,458</u>
<b>OTHER ASSETS:</b>		
Assessments/Connection Fees - Long-term portion	<u>386,431</u>	<u>412,497</u>
Total assets	<u><u>\$ 4,516,148</u></u>	<u><u>\$ 4,644,633</u></u>
<b>LIABILITIES:</b>		
<b>CURRENT LIABILITIES:</b>		
Accounts payable	\$ 36,545	\$ 18,643
Due to other funds	57	-
Deferred revenue	30,762	30,497
Capital lease payable - Current	125,000	100,000
Total current liabilities	<u>192,364</u>	<u>149,140</u>
<b>LONG-TERM LIABILITIES:</b>		
Capital lease payable - Long-term portion	<u>2,305,000</u>	<u>2,430,000</u>
Total liabilities	<u>2,497,364</u>	<u>2,579,140</u>
<b>FUND EQUITY -</b>		
Retained earnings - Designated for debt service	554,662	590,175
Retained earnings - Undesignated	1,464,122	1,475,318
Total fund equity	<u>2,018,784</u>	<u>2,065,493</u>
Total liabilities and fund equity	<u><u>\$ 4,516,148</u></u>	<u><u>\$ 4,644,633</u></u>

The notes to the financial statements are an integral part of this statement.

**VILLAGE OF PARMA, INC.**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN RETAINED EARNINGS**  
**WATER FUND**  
THE YEAR ENDED FEBRUARY 29, 2008  
(With comparative amounts from the year ended February 28, 2007)

	<b>2008</b>	2007
<b>OPERATING REVENUES:</b>		
Charges for services	<b>\$ 61,966</b>	\$ 52,387
Interest and penalties	<b>4,645</b>	716
Total operating revenues	<b>66,611</b>	53,103
<b>OPERATING EXPENSES:</b>		
<b>Administration:</b>		
Clerical salaries	-	-
Payroll taxes	-	-
Office supplies	<b>436</b>	331
Other	<b>20</b>	133
Professional services	<b>2,901</b>	2,550
Total administration	<b>3,357</b>	3,014
<b>Operations and maintenance:</b>		
Salaries	<b>2,284</b>	1,929
Payroll taxes	<b>175</b>	148
Contract services	<b>20,088</b>	32,510
Professional services	<b>1,108</b>	1,313
Utilities	<b>17,890</b>	17,811
Repairs and maintenance	<b>6,805</b>	5,699
Operating supplies	<b>10,082</b>	10,997
Equipment usage	<b>1,478</b>	1,109
Miscellaneous	<b>22</b>	419
Total operations and maintenance	<b>59,932</b>	71,935
<b>Depreciation</b>	<b>114,286</b>	112,540
Total operating expenses	<b>177,575</b>	187,489
OPERATING INCOME (LOSS)	<b>(110,964)</b>	(134,386)
<b>NON-OPERATING REVENUES/EXPENSES -</b>		
Taxes - Hydrant	<b>22,330</b>	22,467
Connection fees	<b>50,000</b>	55,338
Interest income	<b>76,250</b>	88,935
Connection expenses	-	(650)
Interest expense	<b>(84,325)</b>	(87,700)
Total non-operating revenues/expenses	<b>64,255</b>	78,390
NET INCOME	<b>(46,709)</b>	(55,996)
RETAINED EARNINGS - Beginning	<b>2,065,493</b>	2,121,489
RETAINED EARNINGS - Ending	<b>\$ 2,018,784</b>	\$ 2,065,493

The notes to the financial statements are an integral part of this statement.



**VILLAGE OF PARMA, INC.**  
**BALANCE SHEET**  
**GARBAGE FUND**  
 FEBRUARY 29, 2008  
 (With comparative amounts as of February 28, 2007)

	<u>2008</u>	<u>2007</u>
<b>ASSETS:</b>		
<b>CURRENT ASSETS:</b>		
Cash and cash equivalents	\$ 10,056	\$ 14,132
Investments, at cost	-	-
Receivables:		
Accounts	20,840	21,675
Assessments/Connection Fees - Current portion	-	-
Accrued Interest	-	-
Total receivables	<u>20,840</u>	<u>21,675</u>
Due from other funds	-	-
Advanced expenses	-	-
Total current assets	<u>30,896</u>	<u>35,807</u>
<b>PROPERTY, PLANT AND EQUIPMENT:</b>		
Capital assets - Net	-	-
<b>OTHER ASSETS:</b>		
Assessments/Connection Fees - Long-term portion	-	-
Total assets	<u>\$ 30,896</u>	<u>\$ 35,807</u>
<b>LIABILITIES:</b>		
<b>CURRENT LIABILITIES:</b>		
Accounts payable	\$ -	\$ 3,407
Due to other funds	-	-
Deferred revenue	12,450	13,081
Capital lease payable - Current	-	-
Total current liabilities	<u>12,450</u>	<u>16,488</u>
<b>LONG-TERM LIABILITIES:</b>		
Capital lease payable - Long-term portion	-	-
Total liabilities	<u>12,450</u>	<u>16,488</u>
<b>FUND EQUITY -</b>		
Retained earnings - Designated for debt service	-	-
Retained earnings - Undesignated	18,446	19,319
Total fund equity	<u>18,446</u>	<u>19,319</u>
Total liabilities and fund equity	<u>\$ 30,896</u>	<u>\$ 35,807</u>

The notes to the financial statements are an integral part of this statement.

**VILLAGE OF PARMA, INC.**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN RETAINED EARNINGS**  
**GARBAGE FUND**  
 THE YEAR ENDED FEBRUARY 29, 2008  
 (With comparative amounts from the year ended February 28, 2007)

	<b>2008</b>	2007
<b>OPERATING REVENUES:</b>		
Charges for services	<b>\$ 52,414</b>	\$ 52,817
Interest and penalties	<b>2,063</b>	1,329
Total operating revenues	<b>54,477</b>	54,146
<b>OPERATING EXPENSES:</b>		
<b>Administration:</b>		
Clerical salaries	<b>6,939</b>	6,586
Payroll taxes	<b>531</b>	505
Office supplies	<b>164</b>	355
Other	-	-
Professional services	<b>1,103</b>	1,000
Total administration	<b>8,737</b>	8,446
<b>Operations and maintenance:</b>		
Salaries	-	-
Payroll taxes	-	-
Contract services	<b>46,695</b>	46,732
Professional services	-	-
Utilities	-	-
Repairs and maintenance	-	-
Operating supplies	-	-
Equipment usage	-	-
Miscellaneous	-	-
Total operations and maintenance	<b>46,695</b>	46,732
<b>Depreciation</b>	-	-
Total operating expenses	<b>55,432</b>	55,178
OPERATING INCOME (LOSS)	<b>(955)</b>	(1,032)
<b>NON-OPERATING REVENUES -</b>		
Taxes - Hydrant	-	-
Connection fees	-	-
Interest income	<b>82</b>	115
Connection expenses	-	-
Interest expense	-	-
Total non-operating revenues/expenses	<b>82</b>	115
NET INCOME (LOSS)	<b>(873)</b>	(917)
RETAINED EARNINGS - Beginning	<b>19,319</b>	20,236
RETAINED EARNINGS - Ending	<b>\$ 18,446</b>	\$ 19,319

The notes to the financial statements are an integral part of this statement.

**VILLAGE OF PARMA, INC.**  
**BALANCE SHEET**  
**MOTOR POOL FUND**  
 FEBRUARY 29, 2008  
 (With comparative amounts as of February 28, 2007)

	<u>2008</u>	<u>2007</u>
<b>ASSETS:</b>		
Cash and cash equivalents	\$ 2,140	\$ 2,976
Investments, at cost	-	-
Receivables:		
Accounts	1,563	-
Accrued interest	-	-
Total receivables	1,563	-
Due from other funds	1,547	16
Advanced expenses	-	-
Capital assets (Net)	8,028	10,872
 Total assets	 <u><u>\$ 13,278</u></u>	 <u><u>\$ 13,864</u></u>
<b>LIABILITIES:</b>		
Accounts payable	\$ 23	\$ 413
Due to other funds	10,614	20,981
Total liabilities	<u>10,637</u>	<u>21,394</u>
<b>FUND EQUITY -</b>		
Retained earnings	<u>2,641</u>	<u>(7,530)</u>
 Total liabilities and fund equity	 <u><u>\$ 13,278</u></u>	 <u><u>\$ 13,864</u></u>

The notes to the financial statements are an integral part of this statement.

**VILLAGE OF PARMA, INC.**  
STATEMENT OF REVENUES, EXPENSES, AND  
CHANGES IN RETAINED EARNINGS  
**MOTOR POOL FUND**  
THE YEAR ENDED FEBRUARY 29, 2008  
(With comparative amounts from the year ended February 28, 2007)

	<u>2008</u>	<u>2007</u>
<b>OPERATING REVENUES</b> - Rentals	<b>\$ 22,888</b>	\$ 17,136
<b>OPERATING EXPENSES:</b>		
<b>Administration:</b>		
Clerical salaries	-	-
Payroll taxes	-	-
Office supplies	-	-
Other	-	-
Professional services	-	-
Total administration	<u>-</u>	<u>-</u>
<b>Operations and Maintenance:</b>		
Salaries	<b>6,949</b>	6,307
Payroll taxes	<b>532</b>	482
Contract services	-	-
Professional Services	<b>1,211</b>	1,336
Utilities	<b>2,889</b>	2,720
Repairs and maintenance	<b>4,355</b>	2,763
Operating supplies	<b>3,659</b>	3,183
Rent	<b>300</b>	300
Miscellaneous	-	83
Total operations and maintenance	<u><b>19,895</b></u>	<u>17,174</u>
<b>Depreciation</b>	<u><b>2,844</b></u>	4,539
Total operating expenses	<u><b>22,739</b></u>	<u>21,713</u>
OPERATING INCOME (LOSS)	<u><b>149</b></u>	<u>(4,577)</u>
<b>NON-OPERATING REVENUES (EXPENSES):</b>		
Interest revenue	<b>22</b>	14
Transfer from General Fund	<u><b>10,000</b></u>	-
Total non-operating revenues (expenses)	<u><b>10,022</b></u>	<u>14</u>
NET INCOME (LOSS)	<b>10,171</b>	(4,563)
RETAINED EARNINGS - Beginning	<u><b>(7,530)</b></u>	<u>(2,967)</u>
RETAINED EARNINGS - Ending	<u><b>\$ 2,641</b></u>	<u>\$ (7,530)</u>

The notes to the financial statements are an integral part of this statement.

**VILLAGE OF PARMA, INC.**

SCHEDULES OF INDEBTEDNESS

VILLAGE OF PARMA  
 CONTRACT PAYABLE - PARMA TOWNSHIP (KANSAS STATE BANK)  
 2003 FIRE TRUCK

DATE	RATE	DEBT SERVICE REQUIREMENTS			FISCAL YEAR
		PRINCIPAL	INTEREST	TOTAL	
07/01/04	4.53%	3,159.18	1,793.61	4,952.79	02/28/05
07/01/05	4.53%	3,304.48	1,648.32	4,952.80	02/28/06
07/01/06	4.53%	3,456.45	1,496.34	4,952.79	02/28/07
07/01/07	4.53%	3,615.41	1,337.39	4,952.80	02/29/08
07/01/08	4.53%	3,781.68	1,171.11	4,952.79	02/28/09
07/01/09	4.53%	3,955.60	997.20	4,952.80	02/28/10
07/01/10	4.53%	4,137.52	815.27	4,952.79	02/28/11
07/01/11	4.53%	4,327.81	624.99	4,952.80	02/29/12
07/01/12	4.53%	4,526.84	425.95	4,952.79	02/28/13
07/01/13	4.53%	4,735.03	217.77	4,952.80	02/28/14
		<b>39,000.00</b>	<b>10,527.95</b>	<b>49,527.95</b>	
Remaining at 2/29/08:		<b>25,464.48</b>	<b>4,252.29</b>	<b>29,716.77</b>	

The notes to the financial statements are an integral part of this statement.

VILLAGE OF PARMA  
CAPITAL LEASE PAYABLE - COUNTY OF JACKSON (DRINKING WATER REVOLVING LOAN FUND)  
\$1,110,000 SERIES 2002 B

DATE	RATE	PRINCIPAL AMOUNT	ANNUAL INTEREST	DEBT SERVICE REQUIREMENTS			FISCAL YEAR
				PRINCIPAL	INTEREST	TOTAL	
09/01/02		-	-	-	3,759.89	3,759.89	02/28/03
03/01/03	2.50%	45,000.00	1,125.00	45,000.00	11,621.42	56,621.42	02/28/03
09/01/03		-	-	-	12,905.01	12,905.01	
03/01/04	2.50%	45,000.00	1,125.00	45,000.00	13,211.19	58,211.19	02/29/04
09/01/04		-	-	-	12,750.00	12,750.00	
03/01/05	2.50%	45,000.00	1,125.00	45,000.00	12,757.55	57,757.55	02/28/05
09/01/05		-	-	-	12,187.50	12,187.50	
03/01/06	2.50%	45,000.00	1,125.00	45,000.00	12,187.50	57,187.50	02/28/06
09/01/06		-	-	-	11,625.00	11,625.00	
03/01/07	2.50%	50,000.00	1,250.00	50,000.00	11,625.00	61,625.00	02/28/07
09/01/07		-	-	-	11,000.00	11,000.00	
03/01/08	2.50%	50,000.00	1,250.00	50,000.00	11,000.00	61,000.00	02/29/08
09/01/08		-	-	-	10,375.00	10,375.00	
03/01/09	2.50%	50,000.00	1,250.00	50,000.00	10,375.00	60,375.00	02/28/09
09/01/09		-	-	-	9,750.00	9,750.00	
03/01/10	2.50%	50,000.00	1,250.00	50,000.00	9,750.00	59,750.00	02/28/10
09/01/10		-	-	-	9,125.00	9,125.00	
03/01/11	2.50%	55,000.00	1,375.00	55,000.00	9,125.00	64,125.00	02/28/11
09/01/11		-	-	-	8,437.50	8,437.50	
03/01/12	2.50%	55,000.00	1,375.00	55,000.00	8,437.50	63,437.50	02/29/12
09/01/12		-	-	-	7,750.00	7,750.00	
03/01/13	2.50%	55,000.00	1,375.00	55,000.00	7,750.00	62,750.00	02/28/13
09/01/13		-	-	-	7,062.50	7,062.50	
03/01/14	2.50%	55,000.00	1,375.00	55,000.00	7,062.50	62,062.50	02/28/14
09/01/14		-	-	-	6,375.00	6,375.00	
03/01/15	2.50%	60,000.00	1,500.00	60,000.00	6,375.00	66,375.00	02/28/15
09/01/15		-	-	-	5,625.00	5,625.00	
03/01/16	2.50%	60,000.00	1,500.00	60,000.00	5,625.00	65,625.00	02/29/16
09/01/16		-	-	-	4,875.00	4,875.00	
03/01/17	2.50%	60,000.00	1,500.00	60,000.00	4,875.00	64,875.00	02/28/17
09/01/17		-	-	-	4,125.00	4,125.00	
03/01/18	2.50%	60,000.00	1,500.00	60,000.00	4,125.00	64,125.00	02/28/18
09/01/18		-	-	-	3,375.00	3,375.00	
03/01/19	2.50%	65,000.00	1,625.00	65,000.00	3,375.00	68,375.00	02/28/19
09/01/19		-	-	-	2,562.50	2,562.50	
03/01/20	2.50%	65,000.00	1,625.00	65,000.00	2,562.50	67,562.50	02/29/20
09/01/20		-	-	-	1,750.00	1,750.00	
03/01/21	2.50%	70,000.00	1,750.00	70,000.00	1,750.00	71,750.00	02/28/21
09/01/21		-	-	-	875.00	875.00	
03/01/22	2.50%	70,000.00	1,750.00	70,000.00	875.00	70,875.00	02/28/22
		<b>1,110,000.00</b>	<b>27,750.00</b>	<b>1,110,000.00</b>	<b>300,755.06</b>	<b>1,410,755.06</b>	
		Remaining at 2/29/08:		<b>830,000.00</b>	<b>164,125.00</b>	<b>994,125.00</b>	

The notes to the financial statements are an integral part of this statement.

VILLAGE OF PARMA  
CAPITAL LEASE PAYABLE - COUNTY OF JACKSON (LDFA PROJECT)  
\$1,800,000 2002 Series A

DATE	RATE	PRINCIPAL AMOUNT	ANNUAL INTEREST	DEBT SERVICE REQUIREMENTS			FISCAL YEAR
				PRINCIPAL	INTEREST	TOTAL	
03/01/03		-	-	-	35,662.50	35,662.50	
09/01/03	5.50%	25,000.00	1,375.00	25,000.00	35,662.50	60,662.50	
03/01/04		-	-	-	34,975.00	34,975.00	02/29/04
09/01/04	5.50%	25,000.00	1,375.00	25,000.00	34,975.00	59,975.00	
03/01/05		-	-	-	34,287.50	34,287.50	02/28/05
09/01/05	5.50%	50,000.00	2,750.00	50,000.00	34,287.50	84,287.50	
03/01/06		-	-	-	32,912.50	32,912.50	02/28/06
09/01/06	5.50%	50,000.00	2,750.00	50,000.00	32,912.50	82,912.50	
03/01/07		-	-	-	31,537.50	31,537.50	02/28/07
09/01/07	3.00%	50,000.00	1,500.00	50,000.00	31,537.50	81,537.50	
03/01/08		-	-	-	30,787.50	30,787.50	02/29/08
09/01/08	2.75%	75,000.00	2,062.50	75,000.00	30,787.50	105,787.50	
03/01/09		-	-	-	29,756.25	29,756.25	02/28/09
09/01/09	3.00%	75,000.00	2,250.00	75,000.00	29,756.25	104,756.25	
03/01/10		-	-	-	28,631.25	28,631.25	02/28/10
09/01/10	3.20%	75,000.00	2,400.00	75,000.00	28,631.25	103,631.25	
03/01/11		-	-	-	27,431.25	27,431.25	02/28/11
09/01/11	3.30%	100,000.00	3,300.00	100,000.00	27,431.25	127,431.25	
03/01/12		-	-	-	25,781.25	25,781.25	02/29/12
09/01/12	3.40%	100,000.00	3,400.00	100,000.00	25,781.25	125,781.25	
03/01/13		-	-	-	24,081.25	24,081.25	02/28/13
09/01/13	3.55%	100,000.00	3,550.00	100,000.00	24,081.25	124,081.25	
03/01/14		-	-	-	22,306.25	22,306.25	02/28/14
09/01/14	3.70%	125,000.00	4,625.00	125,000.00	22,306.25	147,306.25	
03/01/15		-	-	-	19,993.75	19,993.75	02/28/15
09/01/15	3.85%	125,000.00	4,812.50	125,000.00	19,993.75	144,993.75	
03/01/16		-	-	-	17,587.50	17,587.50	02/29/16
09/01/16	4.00%	125,000.00	5,000.00	125,000.00	17,587.50	142,587.50	
03/01/17		-	-	-	15,087.50	15,087.50	02/28/17
09/01/17	4.10%	125,000.00	5,125.00	125,000.00	15,087.50	140,087.50	
03/01/18		-	-	-	12,525.00	12,525.00	02/28/18
09/01/18	4.20%	125,000.00	5,250.00	125,000.00	12,525.00	137,525.00	
03/01/19		-	-	-	9,900.00	9,900.00	02/28/19
09/01/19	4.30%	150,000.00	6,450.00	150,000.00	9,900.00	159,900.00	
03/01/20		-	-	-	6,675.00	6,675.00	02/29/20
09/01/20	4.40%	150,000.00	6,600.00	150,000.00	6,675.00	156,675.00	
03/01/21		-	-	-	3,375.00	3,375.00	02/28/21
09/01/21	4.50%	150,000.00	6,750.00	150,000.00	3,375.00	153,375.00	02/28/22
		<b>1,800,000.00</b>	<b>71,325.00</b>	<b>1,800,000.00</b>	<b>886,587.50</b>	<b>2,686,587.50</b>	
		Remaining at 2/29/08:		<b>1,600,000.00</b>	<b>517,050.00</b>	<b>2,117,050.00</b>	

The notes to the financial statements are an integral part of this statement.



# MARKOWSKI & COMPANY

## CERTIFIED PUBLIC ACCOUNTANTS

2880 SPRING ARBOR ROAD • JACKSON • MICHIGAN • 49203

PHONE (517) 782-9351

FAX (517) 782-0599

### MEMBERS:

AMERICAN INSTITUTE OF  
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MICHIGAN ASSOCIATION OF  
CERTIFIED PUBLIC ACCOUNTANTS

ESTATE PLANNING COUNCIL OF  
SOUTH CENTRAL MICHIGAN

RONALD L MARKOWSKI, C.P.A.

DOUGLAS E. ATKINS, C.P.A.

SCOTT O. McLANE

RANDALL D. BIDDIX, C.P.A.

### RETIRED PARTNER:

K. LAVERNE MARKOWSKI, C.P.A. (1961-2006)

## COMMUNICATION OF AUDITOR/VILLAGE RESPONSIBILITY

Village Council  
Village of Parma, Inc.  
Jackson County, Michigan

We have audited the financial statements of Village of Parma, Inc. as of and for the year ended February 29, 2008, and have issued our report thereon dated July 25, 2008. Professional standards require that we provide you with the following information related to our audit.

### **Our responsibility under Generally Accepted Auditing Standards**

As stated in our engagement letter dated May 27, 2008, our responsibility, as described by professional standards, is to plan and perform our audit to obtain reasonable, but not absolute, assurance that the financial statements are free of material misstatement and are fairly presented in accordance with accounting principles generally accepted in the United States of America. Because of the concept of reasonable assurance and because we did not perform a detailed examination of all transactions, there is a risk that material errors, irregularities, or illegal acts, including fraud, may exist and not be detected by us.

### **Significant Accounting Policies**

Management has the responsibility for selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by Village of Parma, Inc. are described in Note 1 to the financial statements. We noted no transactions entered into by the Village of Parma, Inc. during the year that were both significant and unusual, and of which, under professional standards, we are required to inform you, or transactions for which there is a lack of authoritative guidance or consensus.

### **Accounting Estimates**

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate affecting the financial statements was the depreciable lives of the capital assets.

We evaluated the lives of each of the assets to determine that they are being expensed over the proper period of time.

**Significant Audit Adjustments**

For purposes of this letter, professional standards define a significant audit adjustment as a proposed correction of the financial statements that, in our judgment, may not have been detected except through our auditing procedures. These adjustments may include those proposed by us but not recorded by the Village of Parma, Inc. that could potentially cause future financial statements to be materially misstated, even though we have concluded that such adjustments are not material to the current financial statements. We noted audit adjustments that could, in our judgment, either individually or in the aggregate, have a significant effect on the Village of Parma, Inc.'s reporting process. Please see the attached memorandum of comments and recommendations.

**Disagreements with Management**

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

**Consultations with Other Independent Accountants**

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Village of Parma, Inc.'s financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

**Issues Discussed Prior to Retention of Independent Auditors**

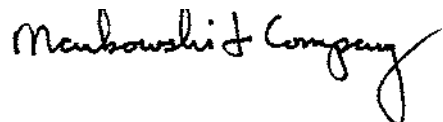
We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as Village of Parma, Inc.'s auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

**Difficulties Encountered in Performing the Audit**

The staff at the Village was extremely helpful and cooperative during our audit. We did not encounter any difficulties in completing our audit.

This information is intended solely for the use of the Village Council and management of Village of Parma, Inc. and should not be used for any other purpose.

Very truly yours,



**MARKOWSKI & COMPANY CPAs**  
July 25, 2008

**MARKOWSKI & COMPANY**  
**CERTIFIED PUBLIC ACCOUNTANTS**

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ESTATE PLANNING COUNCIL OF  
SOUTH CENTRAL MICHIGAN

Village Council  
Village of Parma, Inc  
Jackson County, Michigan

In planning and performing our audit of the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented components units, each major fund, and the aggregate remaining fund information of the **Village of Parma, Inc** as of and for the year ended February 29, 2008, in accordance with auditing standards generally accepted in the United States of America, we considered the Village of Parma, Inc's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the governmental unit's internal control. Accordingly, we do not express an opinion on the effectiveness of the governmental unit's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control that we consider to be significant deficiencies and other deficiencies that we consider to be material weaknesses.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or a combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the following deficiencies to be significant deficiencies in internal control.

**2007-01 - Reliance on External Auditors for Certain Control Functions:**

New Statements on Auditing Standards (SAS) issued by the American Institute of Certified Public Accountants have clarified management's responsibilities for establishing a system of internal control. It is now considered a significant deficiency in internal control when a governmental entity relies upon its external auditors as part of its internal control system. In the Village's case, it relies on the external auditors to prepare year end financial statements in conformity with generally accepted accounting principles.

This is considered a significant deficiency because the Village does not have staff or an independent advisor qualified to ensure the external auditor's work complies with all required standards. To address this, the Village could either improve the clerk or treasurer's knowledge base through continuing education, or hire a CPA independent of its audit firm to review the annual report. The Village believes that from a cost-benefit basis, neither of these solutions makes sense. We concur with this decision.

**2007-02 - Segregation of Duties:**

The Village relies on its Treasurer and Clerk for its accounting functions. Because of this limited staff size, there are instances in which conflicting duties are performed by one individual. The Village Council needs to be aware of this situation, and maintain oversight of its financial records.

**2007-03 – Adjustments Proposed by the Auditor:**

During our audit, we proposed several adjustments to the accounting records. The Village reviewed these and posted the adjustments to its general ledger. Because these entries were material in amount, this is considered a significant deficiency in internal control. We would suggest the Village record accrual entries (recognizing revenues and expenditures in the proper period) and reconcile its payroll liability accounts in the future to correct this situation.

A material weakness is a significant deficiency, or a combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control. We believe that the following deficiencies constitute material weaknesses: 2007-01 and 2007-03.

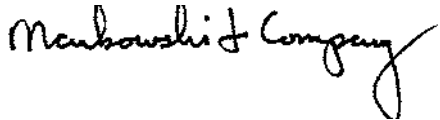
**2007-04 – Capital Asset Records Maintained by the Auditor:**

The Village has relied on its external auditor to maintain and update the detail capital asset records for the Village. This consists of updating excel spreadsheet for any new acquisitions or disposals, and updating formulas to compute depreciation in conformity with policies set by the Village.

A copy of this information will be provided to the Village Clerk, which will allow the Village to assume this responsibility in the future.

We also noted other matters which should be considered by the Council. These are reported in our separate Memorandum on Comments and Recommendations dated July 25, 2008.

This communication is intended solely for the information and use of management, the Village Council, and others within the organization, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink that reads "Markowski & Company". The signature is written in a cursive, flowing style.

**MARKOWSKI & COMPANY CPAs**  
July 25, 2008

# MARKOWSKI & COMPANY

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## VILLAGE OF PARMA, INC.

### MEMORANDUM OF COMMENTS AND RECOMMENDATIONS FOR THE YEAR ENDED FEBRUARY 29, 2008

We are very happy to report that the Village's accounting continues to show significant improvement. We found the records to be up to date, well organized, and very easy to work with. While we still have some recommendations for improvements, there is no question that the Village has made outstanding progress in its accounting processes. Please find the following items for your consideration:

#### 1. INTERFUND BORROWINGS

There has been a significant amount of interfund borrowing during the past few years. **One area of serious concern is the fact that the General Fund has borrowed over \$97,000 of water assessment/hydrant tax collections.** This money will be needed to pay off the water system loans in the future, and at the current rate, the General Fund will not be able to pay it back in a timely manner. **The Village must make it a priority to repay the Water Assessment money to the Water Fund.**

Because the amounts assessed are so close to that needed to pay off the debt, there is no room for delay in these repayments. Additionally, approximately **\$85,000 of assessment collections have been used to pay operating expenses of the water supply system.** The Council needs to take a very hard look at the current rates charged for water. Additional rate increases and/or cost reductions may be necessary in the near future.

It is imperative that the Council begin to formulate a long range plan to pay all interfund borrowings back in a timely manner. The Treasurer and Clerk have worked hard to repay much of the Waste Water advances, and their efforts should be supported by the entire council.

#### 2. EXPENDITURES IN EXCESS OF BUDGET

Michigan law prohibits spending amounts in excess of appropriations (budgeted amounts). As noted in our audit report (page 19), there were instances of spending amounts greater than budgeted.

The Village actually showed great improvement in both its budget process and the internal accounting used to analyze current expenditures against budgeted amounts. As a result, there were very few areas in which expenditures exceeded budgeted amounts. Also, budgets were adopted for all funds which required them in 2008.

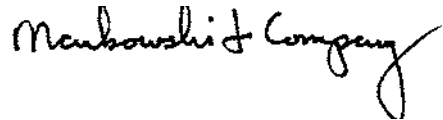
**We recommend that the Council carefully review its actual revenue and expenditures to budgeted amounts at least once per quarter. Amendments to the budget should be made after reviewing all financial information.**

**CONCLUSION**

We would like to thank the clerk, Katie Cotey, and treasurer, Mary France, for their cooperation and patience during the audit process. These ladies have made a great deal of progress in correcting lingering problems with the Village's records, and should be commended for their efforts.

If anyone has questions regarding the items discussed in our memorandum, or if we can be of assistance with the implementation of any suggested changes, please feel free to contact us.

Sincerely,

A handwritten signature in cursive script that reads "Markowski & Company". The signature is written in black ink and is positioned above the printed name of the firm.

**MARKOWSKI & COMPANY CPAs**  
July 25, 2008